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EAST EUROPE

LIAOWANG Discusses Hungarian Political Power Change

90CM0136A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 17, 23 Apr 90
p 30

[Article by Zou Guochang (6760 0948 2490): "Political Power Change in Hungary"]

[Text] By special wire from Budapest: In Hungary's general election, an election in two rounds, 386 delegates altogether were elected to the National Assembly. The opposition party, the Democratic Forum, gained 165 seats, or 42.75 percent of all seats, and will take the lead in forming the new government.

According to the election law, delegates to the Hungarian National Assembly are elected at the following three levels: Individual election districts elect 176 delegates, regional districts elect 152 delegates, and the country as a whole elects 58 delegates. In the first round of elections on 15 March, candidates who obtained most votes in the individual election districts did not get support with more than half the votes and, for this reason, could not be considered elected. Finally, a second round of elections was held on 8 April.

The result of the election was that the following five parties, each with at least four percent of the votes, entered the National Assembly: the Alliance of Free Democrats, with 92 seats; the Independent Small Landholders Party, with 43 seats; the Socialist Party, with 33 seats; the Alliance of Young Democrats, with 21 seats; and the Christian Democratic People's Party, with 21 seats. Eleven seats will be taken up by delegates without party affiliations and by delegates jointly proposed by several parties.

The present general election was carried out at a time when dramatic changes occurred in Eastern Europe and in Hungary; it removed the Hungarian Socialist Workers Party [HSWP] from power after a rule of more than 40 years.

In February 1989, Karoly Grosz, who was at that time general secretary of the HSWP, declared: "The HSWP not only accepts but also actively advocates party pluralism." Thereupon, many opposition parties sprang up in great profusion. In the HSWP, a serious split occurred on the policy of "reassessing the last 40 years" and the "elimination of all vestiges of the Stalinist model," and the party broke up into two parties, one calling itself the Socialist Party, and the other retaining its original name, but much weakened in power.

The Democratic Forum was the opposition party that was established earliest, and it is the most influential among the opposition parties. It calls itself a "classless party" and stands for "affording an equally important place to protecting national interests and national values

as well as to realizing democratization of society." The party proposes instituting a market economy and wants the private ownership system to occupy primary position among the various ownership systems; it also intends to give some of the land of cooperative and state-run farms to individual peasants.

The Democratic Forum has very close connections with the FRG. On the eve of the second round of elections, the chairman of the CDU-CSU [Christian Democratic Union-Christian Social Union] parliamentary delegation of the FRG came to Budapest to voice his support for the Democratic Forum.

The chairman of the Democratic Forum, Jozsef Antall, stated at a press conference on 9 April that the Democratic Forum will form a coalition government together with the Small Landholders Party and the Christian Democratic People's Party, with which parties it had been allied during the general election. According to him, the three parties together will have 60 percent of the seats in the National Assembly, "which could ensure effective government by the new government."

The new government that is about to be formed will face many very difficult tasks: How will Hungary repay its foreign debt of as much as \$20 billion and at the same time extract itself from its economic difficulties? How to control inflation while instituting market economy? How not to increase the large army of jobless while adjusting its production structure? How to improve the livelihood of almost 3 million people living below the poverty line while the state is operating at a deficit?

The reaction of the common people to the general election is uneven. Some hold out certain hopes, others express great anxiety. Over one-third of the electorate did not participate in the present general election. They generally hope that the present serious economic crisis can be overcome and that living conditions will be improved.

Retrospective on Polish Communist Party, Solidarity

90CM0136B Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 6, 16 Mar 90 pp 22-23

[Article by We Ju (2429 1446): "The Polish Communist Party, a Party That Had Suspended Activities on Several Occasions in the Past"]

[Text] The Polish Communist Party, the political party of the Polish working class, has its historical origin in the Socialist Party and the Social Democratic Party, and, for a variety of reasons, has had to cease activities on several occasions in the past. Its progress has been beset with many hardships and vicissitudes. Now it has to face a new test of unprecedented severity.

In 1882, the first Polish political party of the working class, the first "Proletariat" party was established. Due to suppression by tsarist Russia, the party was dissolved

in 1886. In 1888, the second "Proletariat" party was born. The next year, yet another party of the working class, the Polish Workers' League, announced its formation. These two organizations carried out the program of the Second International. In 1892, the Association of Polish Socialists Abroad was formed in Paris. In March of 1893, the second "Proletariat" party merged with the Federation of Polish Workers' League and the Association of Polish Socialists Abroad to form a new political party, which they called the Polish Socialist Party.

However, after several months, the said party split, the second "Proletariat" party and the Polish Workers' League organized the Social Democratic Party of the Kingdom of Poland, with Rosa Luxemburg, Julian Marchlewski, and Feliks Dzierzynski as party leaders, and parted company with the Polish Socialist Party. The Social Democratic Party of the Kingdom of Poland on several occasions organized strikes by workers, but due to persecution by the tsarist government, the party had to cease activities between 1896 and 1899.

In September 1899, Dzierzynski came back to Warsaw from exile and resumed party activities. In August 1900, the Social Democratic Party of the Kingdom of Poland merged with the Lithuanian Social Democratic Party. After victory in the October Revolution, Poland declared its independence in November 1918. In December of the same year, delegates of the Social Democratic Party of Lithuania and the Kingdom of Poland and delegates of the left wing of the Polish Socialist Party held a joint conference in Warsaw and formed the Polish Communist Workers' Party, which in 1925 was renamed the Polish Communist Party [PCP].

After formation of the PCP, its initial efforts were directed toward organizing soviets of worker delegates, and later also led large-scale strikes. Because of the rise of Hitler fascism, the PCP from 1933 to 1937 called for the formation of a united front of the working class and of a people's antifascist front to fight in protection of the motherland's independence. In 1938, the Communist International dissolved the PCP because "many enemy agents had infiltrated into the leadership echelon of the PCP."

On 1 September 1939, Hitler suddenly invaded Poland, and World War II erupted. During the period of occupation, key members of the PCP set up small teams of communists all over the country, who launched heroic struggle against the fascists. In 1941, members of the PCP located in the Soviet Union organized party-building teams and at the end of the year organized inside Poland the Polish Workers' Party. Soon afterward the party established a military organization, the People's Home Guard, leading the people in their fight against the fascist German invaders.

At new year's eve of 1943, the Polish Workers' Party, the left wing of the Polish Socialist Party, the Peasant Party, and other progressive organizations secretly held a national congress in Warsaw and formed a broad

national front to fight the fascist occupiers. After the Soviet Red Army entered Poland in July of 1944, the Polish Workers' Party, the left wing of the Polish Socialist Party, the left wing of the Peasant Party, and representatives of progressive intellectuals organized a Polish Council of National Liberation in the liberated area, proclaiming the birth of a Polish people's regime. After the liberation of Poland, elections were held in January 1947 for a national assembly, in which the people's front, headed by the Polish Workers' Party, gained victory, and the leader of the Workers' Party, Bierut, was elected president of the republic, while the secretary general of the Socialist Party, Cyrankiewicz, was elected chairman of the Council of Ministers. At the end of 1948, faced with the need to consolidate the people's political power, the Polish Workers' Party and the Polish Socialist Party decided to merge, and on 15 December held a joint conference, when they announced the formation of the Polish United Workers Party [PUWP]. In its proclamation, the party stated: "The united party is the leading force of the people and has abandoned 'revisionism and nationalism' of the prewar Polish Socialist Party, as well as the 'Luxembourgism' of the communist movement; it is a political party of Marxism and Leninism."

After its establishment, the PUWP led the Polish people in socialist construction and achieved undeniable successes, but also committed serious mistakes. Particularly under Soviet Russian influences, the party could not maintain a socialist road that would have fully conformed to its own national conditions, and errors in its economic work, in particular, led to several social crises and to many reorganizations of the party. In 1956, there occurred the Poznan incident. The Eighth Plenary Session of the party Central Committee decided to propose Gomulka as first secretary of the PUWP Central Committee, a man who had been persecuted because he had once suggested that Poland go its own way. In 1970, a policy that impatiently had pushed for quick results led to serious difficulties in economic construction; Gomulka gave up his post, which was then taken by Edward Gierek. In 1980, also because of inept handling of the economy, Gierek stepped down. One year later, Jaruzelski took over from Kania as first secretary of the PUWP. Thereafter, because of long-term economic difficulties and inability to resolve the resulting social contradictions, the ruling PUWP, in January 1989, had to recognize the "Solidarity" labor union and other opposition parties, decided to institute political pluralism, and had to forgo its leading position.

In June 1989, Poland held elections to the National Assembly, in which the PUWP was pitifully defeated and relegated from ruling party to the position of having to share participation in government with other parties. It had been able to preserve for itself only four seats in the 23-member Council of Ministers. This led to much deep rethinking and much divergence of views within the party. From 27 to 29 January of this year, the party held its 11th National Congress and passed a "Resolution To Cease All Activities of the PUWP." Among the

1,586 delegates who participated at the conference, 1,200 formed the Social Democratic Party of the Polish Republic, somewhat over 100 delegates formed the Social Democratic Federation of the Polish Republic, and the rest of somewhat over 200 delegates made preparations for a Polish Working People's Party.

The newly formed Social Democratic Party of the Polish Republic held its first national congress on 28 January. It elected Alexander Kwasniewski as chairman of the Supreme Council of the party and Leszek Miller as secretary general of the Central Executive Committee of the party. The party's programmatic proclamation passed at the congress said that the future objective of the party is to develop "democratic socialism." It proposes pluralism in the forms of ownership, endorses development of private economy, but opposes making

private economy the only component of market economy. The party's objective is to institute an integration of market economy and state intervention; it opposes the reintroduction of capitalism, and also abandons "real socialism" as up to now practiced in the Soviet Union and in the East European countries, also breaks with democratic centralism, dictatorship of the proletariat, and socialist internationalism. The Polish Social Democratic Party declared that it will fight to regain its position of ruling party. However, at the present juncture of intense struggle between "peaceful evolution" and "anti-peaceful evolution" forces, it is only the actual result of this struggle that can answer the question what the future of the Social Democratic Party of the Polish Republic will be and in which direction its policies will develop.

Yan Jiaqi Comments on CPC Past, Future

90CM0041A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 211, 1 Mar 90 pp 56-58

[Interview with Yan Jiaqi by Liu Qianlin (0491 0578 2651): "An Assessment of the Chinese Communist Party's Performance Over the Past 40 Years and the Future of China"; date, place not given]

[Text] **In Order To Make an Evaluation, the Whole of the 20th Century Must Be Looked At**

[Liu Qianlin] Please provide us with an overall evaluation of the performance of the Chinese Communists as rulers over the last 40 years.

[Yan Jiaqi] I feel that in order to evaluate the performance of the Chinese Communist Party over the last 40 years we will need to look at the whole of China's history in the 20th century. Only in this way can we clearly see what gains were made in the last 40 years and what problems developed. In my view, 20th-century Chinese history can be roughly divided into four stages. The first stage is the Qing dynasty period, which runs from the beginning of this century to 1911. Then comes the period of rule by the northern warlord, which runs from 1911 to 1927. The period from 1927 to 1949 saw the Kuomintang seize power. After 1949, the Communist Party took hold of the ruling power. In each of these four periods despotism or violence were employed to enable the rulers to hold on to power.

Each of these four periods has a common feature. Whether we talk about the Qing government, the northern warlord governments, or Communist government, the organizational form of governmental power remains basically the same. In the 40 years that the Communists have been in power they have proclaimed their system to be socialism, or they have called it a people's democracy, but as far as I can tell the organizational form of China's government has not basically changed in the 20th century. Although China now has a People's Congress and a State Council, ultimate authority remains concentrated in the hands of one person. And once this person gains ultimate authority, he is not willing to give it up. Two days ago Mr. Jiang Zemin mentioned in a talk he gave that Deng Xiaoping has still not retired. Deng Xiaoping himself has said that he is going to retire, but he has yet to give up power. In this regard there is no difference between today's China and imperial China. There is a connection between China's catastrophes and the system that places ultimate power in the hands of one person. China has seen numerous battles and felt numerous maladies and they are related to this system. So, I think that if we look at the system employed by the Communists over the last 40 years, although political reforms have been proposed, there is no possibility of this type of power concentration being changed. One can talk about separating the party and the government, sharing power with lower levels, or simplifying the organizational structures, but there is

absolutely no way they will allow changes in this framework of despotic dictatorship. We can look back and see that every movement that has occurred, from the anti-Hu Yaobang campaign, the antirightist campaign, the anti-Peng Dehuai campaign, antirightist opportunism, and the Cultural Revolution, up to the anti-bourgeois liberalization campaign and the campaign to eradicate spiritual pollution, and finally the "4 June" massacre, all have a common thread running through them—namely, in order to protect the ultimate power of Mao Zedong or Deng Xiaoping and the like, every means of brutal repression has been employed. This is the first feature to recognize.

The Chinese Political System Has Never Changed

The second feature to look at is the political system. The Chinese political system has not changed in the 20th century. The most important feature of the new economic structure that China has employed over the past 40 years is that the people have no ownership of the means of production, and socialist ownership of the whole people has been employed. Granted, there are still small pockets where private ownership is allowed. But, generally speaking, since 1954 when joint state-private ownership and the people's communes began, the mainland Chinese people have been divested of private property ownership rights. The Communist Party will not acknowledge that private property ownership is a fundamental right of the citizen. This is because property rights are not fundamental rights of the citizen. Without this fundamental right, the freedom of speech, the freedom to publish, the freedom to learn of news, and the freedom of association, which includes the freedom to demonstrate, do not exist. This is because all means of livelihood come from and are controlled by the Chinese Communist Party.

In the 1980's Deng Xiaoping instituted reforms, and control has lessened. In turn, we saw a democratic movement of massive proportions. Under the strict control of the days of Mao Zedong, the rightists were the opponent, and they were out only to clear up and criticize a few views. But this recent 1989 people's movement in China that rocked the power of officials at the highest level may have been related to the desire of the people to have their private economy develop and their rights as people acknowledged. But, when they began demanding even greater rights, when they began demanding things that are rightfully theirs—namely, the freedom of speech and of the press, when they began demanding the right to criticize the government, then they were brutally repressed.

We can clearly see the serious ills of this system known as socialism. The socialism of today is completely different from that conceived by Marx over 100 years ago. And today's capitalism departs sharply from the capitalism that Marx was critical of over 100 years ago. Previously, I pointed out that the Communist Party controlled all of the other rights of the people by eliminating the right of private property ownership. Because of this practice,

China's economic development has proceeded at a snail's pace. In the mid-1950's China's economy was developing fairly well. But, if we compare it in an overall sense to the development of Japan or South Korea, and in particular to the economies of the Hong Kong and Taiwan regions, we see that China's economic development lagged far behind. Granted, if we talk about GNP, then China has grown more than 10-fold. But, if we talk about the standard of living of the average Chinese, then we must say that Chinese rank near the bottom.

Thus, when China today applauds its economic achievements we usually do not find the standard of living figured into the equation. This is a serious problem, and in this respect progress over the last 40 years has been quite limited. Of course, many areas have seen noteworthy development in the last 40 years. China, of course, has achieved independence. When, in 1949, China gained independence and abrogated the various unequal treaties, its stock went up in international circles and in the United Nations as well. This is an area of progress. But it too is quite limited progress. There has been development in China's industry and modern science and technology, but if we recall that China is a huge nation, then we can see that the achievements are insufficient. The Chinese often compare their lives to life in pre-1949 China. But they fail to measure their lives based on a comparison of the standards of living—that is, they do not compare the average position in various areas of life. This would include comparing educational standards, the number of university-level students, the GNP, gross national income, the number of telephones, and so forth, and would show that China ranks near the bottom of the world.

The Economy Must Find a Way To Ripen Its Development

[Liu Qianlin] What are the major effects of the political and economic systems that the Communists have implemented over the past 40 years?

[Yan Jiaqi] The political and economic systems of the Communists have both run into serious problems. We can summarize the economic system of the past 40 years as follows: First, there has been public ownership. Since the 1950's, when China implemented the joint state-private ownership and the people's communes, China has basically been a public-ownership economy. China has for a long time had a planned economy at its core, but in the last 10 years faith in the planned economy has lessened. In the last 10 years reforms have brought a market-type of economy into the public ownership economy. We know that with the planned economy there will be shortages and the economy cannot develop well.

Also, adding a market economy in with a public ownership system has brought improvements in economic development, but it has also led to inflation, corruption, and serious inequities in distribution. These two economic systems, and we should call them two economic systems, are the planned economy within the system of

public ownership, and the market economy added onto the system of public ownership (of course, the latter has not been fully systematized). Basically, the results of both of these two economic systems have been complete failures. The Chinese economy to this point has not found a way to ripen its development. The 1989 people's democracy movement resulted when the people got angry with the corruption and inflation in the market economy that was operating within the system of public ownership.

There are no democratic channels in Chinese politics. In the Chinese political system, power is highly centralized in one person. In the beginning it was concentrated in Mao Zedong; now it is concentrated in Deng Xiaoping. Moreover, the battles for supreme power have never been big ones. The battles for supreme power, true supreme power, and to succeed to the powers of those with true supreme power, have never been large. Peng Dehuai, Liu Shaoqi, Lin Biao, Hua Guofeng, Hu Yaobang, and Zhao Ziyang were all in line to succeed to supreme power and all became artificial offerings. Even Lin Biao was one of them. We can see that this sort of power succession lacks rules. In the past, succession to the emperor's throne was dictated by clear rules, and the rule that the son inherited from his father was quite clear. In *"The Theory of Leadership"* [shou nao lun 2087 5207 6158] I pointed out that succession to supreme power must be marked by clear rules. Without rules, disasters will be endless. I pointed out in that book that this was of critical importance. Before, the rules concerning succession to the emperor's throne had to be clearly announced. Today's Communist Party system of Stalin and Mao Zedong and the Stalinist socialist system both lack clear rules concerning the supreme power. From Trotsky and Bukharin to Khrushchev we have seen nothing but endless disaster, and this has been true in China also. The political and economic systems of China have both been sources of serious shortcomings and failures. Now, in the aftermath of the "4 June" massacre, the Chinese people have come more and more to recognize the shortcomings and failures of their political and economic systems. I think that future changes are going to be fairly easy. With more and more Chinese recognizing the maladies, change will be possible. Not only are they possible, but changes are necessary.

[Liu Qianlin] Is it a real necessity?

[Yan Jiaqi] Yes it is.

Reasons for the Numerous Changes in Direction

[Liu Qianlin] What is the main reason for the numerous changes in direction China has taken in the past 40 years?

[Yan Jiaqi] When there are no rules for succession to supreme power, then there can be no political guarantee of the basic rights of citizens. I was talking earlier about how the system of public ownership abolished freedom of speech, freedom to receive news, and the freedom to publish. These freedoms have never existed. Since 1976

we have seen three high tides of freedom of speech. One period was at the end of 1978 when there was discussion of the two whatevers and the standards of truth. At that time there was widespread freedom of speech in China and things were quite liberalized. The second period was the latter part of 1986, and the third period was the first half of 1989. Each time, the tide of speech freedom was crushed. In the first instance, Deng Xiaoping's talk about upholding the four basic principles eliminated freedom of speech. In the second instance, we had the anti-bourgeois liberalization movement that drove Hu Yaobang out of the arena. And in the third, which was the recent democracy movement, machine guns and tanks were used to repress the people's demand for freedom of speech. This goes to show that in 40 years the people have not gained any guarantee of their rights and freedoms.

The second point is that there are no rules for changes in China's supreme power. China's Constitution gives no guidance on how changes in supreme power should be made. The Constitution of 1982 was a pretty good constitution but it gave no guidance on how to make changes in supreme power. Party documents are likewise of no assistance. Deng Xiaoping is not a member of the party's Central Committee, nor does he belong to the Political Bureau. He is a regular party member who holds supreme power from his position as a member of the Military Commission. With the party and the government one and the same, and with the principle being that the party commands the military, Deng Xiaoping is allowed to override the Chinese Government. Thus, the following principle can be seen to operate within the Chinese political system: There is a real government that operates above the Chinese Government, and it is the party organization. And there is a person who overrides even the party, and this person is Deng Xiaoping. There is no basis in the Constitution or in party documents for this kind of political system. The Constitution can be looked to, but no one attaches much importance to it. Neither the Constitution nor party documents give any guidance on how the party and the nation are to be run. Despite basic laws or fundamental laws, the other minor laws are of only negligible importance. If we look at the U.S. or French Constitutions, we can see clear outlines of how power is to be transferred, how the legislative assembly is to be constituted, and what the respective relations are between the legislature, the judiciary, and the executive. They do whatever their constitutions mandate. And what does the Chinese Constitution mandate? Today it does not matter because the judges are not independent, and this is a big problem. So, the draft of Hong Kong's "Basic Law" runs up against this problem—such a document cannot ensure that the "Basic Law" is effective, especially since the Chinese Constitution now contains the four basic principles.

The Way to Modernization of China

[Liu Qianlin] Well then, how is Mainland China ever going to become modernized?

[Yan Jiaqi] Democratic politics are a precondition for the modernization of China. For a long time now we have thought that democratic politics would come about when the Communist Party absorbed the lessons of the Cultural Revolution and the lessons from Mao Zedong's highly concentrated power. We thought that the Communist Party members would gradually take it upon themselves to institute changes toward democracy. In particular, in the 1980's Deng Xiaoping put forward a series of plans and ideas for political reform, and the intellectuals, workers, and peasants all felt that we would slowly but surely march toward democracy under the leadership of the party. In fact, in recent years the rights of workers have expanded. However, all of these new rights were bestowed upon the workers by Deng Xiaoping or by the Communist Party. They all came because Deng Xiaoping and the Communist Party adopted a policy of sharing power. China still lacks the concept that rights are something we deserve, not something that we are given by another. So, during times when rights are withheld, like when the 1989 democracy movement rose up to challenge Deng Xiaoping's supreme power, Deng Xiaoping will adopt brutal tactics to repress the call for rights.

If China is to modernize, there must first be political reform. For a long time we have looked to the party for leadership here. Now, in the aftermath of the "4 June" massacre, one can say that the people's illusions have been shattered. There must be an independent political force that exists outside of the Communist Party. The "democratic China connection" was recently formed and it is not just a platform for a few of us to make our pleas. It represents the demands of the whole society that we unite and provide opposition to the Communist Party. So, I think it is vital that Hong Kong join in the "connection." Only with party politics can democracy truly be advanced. Democracy is impossible with a single-party autocracy.

The first step in advancing democracy in China is to put an end to the single-party autocracy. This is principle number one. The second principle is that modernization requires that the enthusiasm and creativity of every individual be given full play. If a person is listless then he will do things in a passive way and the nation will never become modernized that way. Modernization can only be achieved when every man can give full play to his self-initiative, enthusiasm, and creativity, and when the rights and freedoms of the citizen are guaranteed. If we are to provide basic guarantees of the rights of citizens, then above all we must guarantee private property ownership. Of course, modern China still does not have a private ownership economy. The state-run economy has developed greatly in the last 40 years, and this property cannot become private property overnight. In the days to come, I think China needs both to guarantee the property rights of the citizens and also to retain development of certain elements of the state-run economy. Private property ownership must be guaranteed in the economy and the market economy must be exercised, and this

means that the person-to-person economy must be developed. We must make progress in two areas in order to achieve modernization. First, we must put an end to one-party autocracy. Second, we must guarantee the right of private property ownership and fully develop the person-to-person economy so that China's economy can get through the difficult times and can develop in a ripened way.

[Liu Qianlin] Given the existing political and economic conditions, are the Chinese Communists capable of implementing such changes?

[Yan Jiaqi] Originally, we thought that the Communists could make such changes. After the "4 June" massacre, our illusions have been destroyed. However, I believe that the democratic Chinese connection, though it was created and developed overseas, will one day return to China, and its organization will develop in Mainland China. The only hope for China lies in the development of party competition and competing plans of government, and from this foundation the true advancement of democratic politics can occur. The failures of economic reforms show us that we cannot rely merely on the Communist Party. So, it is not our contention that the Communist Party must be overthrown. What we advocate is to join forces with reformers, liberals, and democratic elements in the Communist Party and together push for democratization and modernization in China. Granted, there is no way we can have dialogue with today's Communist Party leaders who still have blood on their hands. However, in the future we will not abandon dialogue with these people. And, furthermore, China's undertaking will require the efforts of many righteous, honest, and democratic members within the Communist Party. The "democratic China connection" will join together with the Communist Party, and also the Kuomintang, the Democratic Progressive Party, and other parties in working toward the creation of a democratic China.

Political Cadre Speculates on Fall of Deng, Communism

90CM0126A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 212, 16 Mar 90 pp 26-27

[Article by Chao Tsang-po (6392 5547 2672): "The Demise of the Regime of Deng, Yang, and Li and the End of Communism"—Part 1]

[Text] [Editor's note] The author, who is identified by his pseudonym, is a youth cadre working for a political organization in Beijing. His article, which was spirited from Beijing to Hong Kong for publication, underlines the significance that a strong feeling against the current regime is prevalent even among members of the Chinese Communist Party. [end editor's note]

China's political changes in the 1990's will mark an end to Communism and the beginning of an era of a free and democratic society. This will have a tremendous impact

on China's politics, economy, culture, education, and society. It will also have a far-reaching influence in the world.

The Demise of the Autocratic Regime of Deng, Li, and Yang

Whether from the point of view of a change in political generation, or of contradictions resulting from the interaction of the political and economic mechanisms, the regime of Deng, Li, and Yang is bound to collapse.

Human society has always been sustained by generational change, and a different political life embodies a different political concept and ideal. We cannot expect Deng Xiaoping and Yang Shangkun to live past the nineties, nor can we expect Jiang Zemin and Li Peng to not become withered walking corpses by then. These head souls and living corpses will not be the ones to decide the future of millions of Chinese people.

For years, the Chinese Communist Party has remained a dictatorial, autocratic party fraught with factional struggle. Deng Xiaoping has said that the third-generation Communist leadership that succeeds him will have Jiang Zemin as the nucleus. This "nucleus," however, cannot be appointed or bestowed by someone, but must come into existence through a lengthy process of political awareness and struggle. We ask: Can Jiang Zemin become a force at the core like Mao Zedong in the first generation and Deng Xiaoping in the second generation? Anyone with political sense will definitely answer no. The bottom line lies in the contradiction between the "nucleus" position and the one-person, one-vote system practiced by the Politburo Standing Committee. Without majority support, can Jiang Zemin have the power to make policy? If he can, then the one-man, one-vote system and the system of majority rule are nothing but lies. If he can't, then he will be unable to enforce his nucleus power. Like the Qin emperor and Mao Zedong, Deng Xiaoping wants his designated successor to carry on the dynasty, which, as proven by history, is an unrealistic illusion dreamed up by people who have fallen into a political trap. Charles de Gaulle, when resigning as president in 1949, predicted that the Fourth Republic's invalidity would lead to its demise. Similarly, we can predict that the invalidity of the Communist Party will lead to life-and-death struggles among power-hungry factions.

Jiang Zemin Will Meet the Same Fate as Hua Guofeng

As the dictatorial Communist system sustains itself on the basis of inertia, its political strength is going through swift change. If Mao Zedong's death was analogous to the end of the Lenin and Stalin era in the Soviet Union, then Deng Xiaoping's 10-year rule was similar to the rule of Khrushchev on at least two points: reform within the traditional framework and a policy that encouraged genuine revolutionary reform ideas. The most significant gain during Deng's 10 years in power was the rise of many young people whose unconventional ideas will prevent them from following the political tradition

upheld by Deng, Li, and Yang. Learning to arm themselves with political experience, they are prepared to strike at the crucial moment. As in the case of Nicolae Ceausescu, who failed to hold on to his dictatorial reign despite having won more than 60 rounds of applause at his party's plenary session, the Chinese Communists were indulging in the wildest fantasy when they called for "all levels of power to be firmly in the hands of Marxist followers."

Therefore, the conflict between an ineffective political system and its inability to adjust to change will become a major cause of the fall of the regime of Deng, Li, and Yang. Jiang Zemin will thus meet the same fate as Hua Guofeng.

A second reason that may lead to the fall will be one of an economic nature: The economic crisis may explode to the extent that requires a change in political power.

As a result of poor administrative control and declining confidence in socialism, state enterprises have been in dire trouble. Economic resources have not been properly distributed, finished products have not been marketable, and items needed by the economy and society cannot be produced. Technology is hard to come by, productivity is low, the production structure is seriously flawed, resources are wasted, the distribution of income is unfair, inflation is rising, and unemployment among workers is serious... These problems are interrelated on a vicious cycle. According to statistics, more than 3 million workers, about 10 percent of all workers, are unemployed, and the number is higher for people in the service, commercial, and industrial sectors who lost their jobs or went broke as a result of the government's effort to reorganize economy. People in all walks of life, especially industrial workers, will be unable to long endure a steady drop in income and living standards, unemployment, and the lack of security. For it is not because they were idle, but because of the incompetence of the bureaucracy and the economic system's ineffectiveness, that such misery befell them.

To Overthrow the Communists by Force Is Not Impossible

To maintain the so-called "stability," to hold on to their power, the Communist authorities have mobilized their propaganda machinery to describe the economic crisis, which is heading toward a deeper pit, as being under control, and give themselves credit for all the achievements obtained by the people through 10 years of hard work. They have used all possible means to prevent news about the successful rebellions in the Soviet Union and Eastern Europe from filtering through to the Chinese people. But the people make their judgments and decide on the course of action not on the basis of propaganda or slogans, but on the basis of what they have learned from life. When the economic crisis becomes explosive, they will not hesitate to confront those who are responsible for their misery. When that happens, the new political force in the existing structure will seize the opportunity

to criticize Deng, Li, and Yang at party meetings, demanding that they be accountable for the problem. This is the second possible way that may lead to a peaceful removal of the current regime.

The third way is a violent one, whose possibility cannot be ruled out. An uprising by the masses can be prompted by political suppression, corruption, economic crisis, social turbulence, and chaos. When this happens, the military, which is not intransigent as proven during the 1989 democracy movement, will show its attitude by way of action. During the 1990's, the military will be controlled by a new generation while the old generation who now hold power will be half way to the grave. Their reformed belief, their dissatisfaction with the social crisis, their hatred for the dictators, their sympathy for the people, and a new international climate will all make them different from their former commanders. When deciding on a military course of action, they will consider its consequences and the historic responsibility they have to bear for it. Perhaps the military will be the one to send the Deng, Li, and Yang regime to its grave.

In general, the regime's collapse will be an inevitable event of the 1990's. The question is in what manner. With its fall will come a reevaluation of the 1989 democracy movement which will expose the crimes of the butchers who slaughtered innocent people.

World Communism Will Die, With China as Its Last Bastion

In 1989, communism began to phase out of Eastern Europe as one communist regime after another collapsed. The process for this took 10 years in Poland, 10 months in Hungary, 10 weeks in the GDR, 10 days in Czechoslovakia and Bulgaria, and only five days in Romania. In the first spring of the nineties, the Soviet Communist Party announced its plans to establish in the world's first communist country a multiparty system, a presidential system, a democratic system, and a federal system which is based on self-rule by each nationality. It also announced its plans to give up communist dictatorship, the proletarian dictatorship ideology, and Marxism-Leninism.

What happened in the Soviet Union and Eastern Europe was inevitable as a result of the communist system's inherent policies to suppress freedom and hamper economic and social achievements. Gorbachev saw the danger facing communism and realized how important reform programs would be to the country, society, and people. He then took the initiative to introduce the Western system of power sharing, political openness, economic reform, and cultural diversification. Another type of ruler, such as Ceausescu, resisted change and ended up not only losing power, but also putting the Romanian people through a period of bloodshed and turbulence.

People Have Their Own Views About Communism

An ancient Greek philosopher has said that those who submit will follow destiny, and those who do not submit will be swept away by destiny. The Chinese Communist Party has taken a negative attitude toward the revolutionary change in the Soviet Union and Eastern Europe. The Central Committee (meaning the Deng, Li and Yang clique) recently issued a notice to all party members that said the Soviet Union was turning toward capitalism and that Gorbachev was completely anti-Marxist in his "new thinking" and his proposal for a humane, democratic socialism. This notice, which was aimed at suppressing the rise of a favorable response to Gorbachev's reform policy, underscored the Chinese Communist regime's fear that the Soviet reform may spread to China.

But the people have their own views. Despite the party Central Committee's directive, the people have asked many questions: Marx and Lenin have said socialism would triumph over capitalism, but why have socialist countries one after another adopted capitalism? Communism talks about liberating mankind, but why are all communist countries beset by internal problems? Why are socialist countries turning to Western ideas while socialism is not accepted by the West? Why are capitalist countries richer than socialist countries? Why is it that East Germany, which did not experience political turmoil like the Cultural Revolution in China, does not have a better economy than West Germany? How long can China keep waving its red flag? Can China save socialism from collapsing? Will there be socialism in China and the world in the 21st century? The Romanian Communist Party and Ceausescu were China's old friends who had supported the Chinese Communists' crackdown on revolts, but why did China not stand on Ceausescu's side when he fell, saying instead that it "respects the choice of the Romanian people?" Did Ceausescu meet with death because he had erroneously used China's experience in cracking down on revolts to deal with his own problem?... All in all, the Chinese people have come to the realization that socialism has no future because it cannot help resolve the problems in China. (Of course, no consensus has been reached on what political system we would adopt or how we go about achieving it after socialism is abandoned.)

Tremendous Differences Between China and Eastern Europe

While comparing China with Eastern Europe, we cannot help but noticing numerous gigantic differences between them. These differences could allow the regime led by Deng, Yang, Jiang, and Li to linger on through the first few years of the nineties. The problems of the Soviet Union and Eastern Europe, particularly the latter, are less complex than those of China. Their problems lie in a conflict between the reform-seeking masses and the conservative rulers. There, almost all the people, including the intellectuals, workers, peasants, and party members have a higher degree of cultural education and political awareness. Having all joined the camp to

oppose the minority rulers, their action resulted in a fundamental change in the political situation, forcing the stubborn rulers to relinquish power. Further supported by Moscow, these countries held elections, established a multiparty system, and implemented a policy to encourage private and market economies. These can never happen in China, where the people cannot form a united front to battle their rulers. This is partly because of a lack of unity and communication between liberal intellectuals and the masses, especially the peasants. The regime thus cashed in on the people's ignorance and stupidity, and no political force in or outside the party can be strong enough to challenge its legitimacy.

But this will only delay, not prevent, the collapse of the regime and the communist system. History will tell.

(To be continued)

Forces Await Political Opportunity in 1990's

90CM0127A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 213, 1 Apr 90 pp 26-27

[Article by Chao Tsang-po (6392 5547 2672): "Three Major Political Forces Enter the Arena in Quest of Political Power—the Demise of the Regime of Deng, Li, and Yang and the End of Communism (Final Installment)"; Part 2]

[Text] Leftist, Rightist, and Moderate Forces All Continue To Adjust

"At any given time there exist leftist, rightist, and moderate forces, so it is imperative to be both anti-leftist and anti-rightist at any given time." This was Mao Zedong's directive when he founded the Chinese Communist Party. It also has been recited constantly by Deng Xiaoping to his followers.

But these three forces have been adjusting themselves to keep pace with history. One faction disappears only to be replaced by another. Today's moderate force, which claims to anti-leftist (opposing reform) as well as anti-rightist (not insisting on the four basic principles), will become supporters of leftist dogmatism in the 1990's.

This leftist dogmatism will not be completely phased out as the regime of Deng, Li, and Yang collapses. Its residual power of inertia is formidable. Deng Xiaoping's 10-year reign has created a new generation of young people who oppose tradition and yearn for creative reforms. But these young people are victims of Marxist education and dictatorial rule. They have no notion of democracy; they do not understand the importance of freedom, democracy, and judiciary to China if it wants to become a free country; and they are unable—and unwilling—to pursue a more humane, more democratic society. A lifeless, dogmatic, and stylized way of thinking has been their common trait. These people, along with those bureaucrats who are in their fifties and were educated before Cultural Revolution, form the follow-up force supporting the Deng, Li, and Yang regime. To

them, "reform" is simply redistribution of political and economic powers within the bureaucratic apparatus, not an overhaul of the social mechanism.

Liberal Intellectuals

If reform supporters claim that "China cannot do without democracy," then political dogmatists will claim that "China cannot do with democracy." Claiming that the people are not ready for democracy, these dogmatists have stubbornly resisted reforms and refused to provide the people with freedom and human rights. To them, reforms will be at the expense of their interests, costing them their political status and economic privileges. Therefore, they may do all they can to be influential after the Deng regime falls. They constitute one form of political force.

A second force comprises "liberal intellectuals" who are mainly college students and young intellectuals, with Fang Lizhi, Liu Binyan, and Wang Ruowang being their spiritual leaders. Its supporters increased after the military crackdown on the democracy movement in 1989. This force is now taking shape, represented by the Federation for Democracy in China established in France by those who fled abroad after the prodemocracy protests.

But the Federation is not without flaws. They know much about the West but little about China; they yearn for democracy but do not know how to realize their dream; they are well-educated but lack practical experience and do not know how to influence or communicate with the people.

However, they will learn to be more mature. Because of the support by Overseas Chinese, Taiwan, Hong Kong, and Macao compatriots and the international community after the 1989 prodemocracy movement, they will become a political asset after the regime's fall. If the political climate permits, they will even be supported, all over China and especially in big cities, by youths and intellectuals who have been driven to the wall by the communist system. These liberal intellectuals, however, do not have a convincing political and economic platform or the kind of political experience to deal with China's problems. This will make it difficult for them to become a guiding political force and will prevent them from playing a key role in China's politics.

The Third Force: The Reformists

Apart from the above two forces, there is a third force which has not quite taken shape but is likely to emerge as a leading power controlling the political arena. This force comprises people within the party and government who advocate total and thorough reforms. They are well-educated, have sufficient knowledge about the West, and possess a firm belief in democracy. They know well the weaknesses of socialism and its unsuitability for social and cultural developments. As supporters of gradual reform, they know China's problems are so complex that they must be resolved carefully and gradually. Brave and

committed, they are bent on breaking outmoded conventions. Sensible and calculating, they will make necessary compromises because they know tradition cannot be erased overnight.

Because of their positions in the government and party, they cannot publicly wave their banners. But they exist in economic, cultural, and educational organizations as well as other organizations in the government and party. When the time is right, they will quickly combine their forces through usual or secret channels. Having their goal and the means to achieve it, and having their own characteristics, power of judgment, action guidelines, and strategy for struggle, they are different from the traditional hardliners (in the sense that they advocate total reforms in pursuit of their democratic ideal) and the radical liberal intellectuals (in the sense that they advocate practical, gradual reforms). When there is a turning point in the political climate, they will win widespread support among the people through public debate.

In general, the 1990's will see these three forces—the stubborn leftists, the radical liberals, and the moderate reformists within the regime—enter the arena in quest of political power in an attempt to change China's future. China's politics, then, will become more complex, more dramatic.

The conclusion: Three major events will happen in China in the nineties—the collapse of the regime of Deng, Li, and Yang, the eventual death of the communist system with China as its terminating point, and the entrance of three major forces to the political arena in quest of power. These three events may happen in an unyet determined order, but there is no doubt that they will happen. These happenings, along with the impending return of Hong Kong to China, the impact of Taiwan's overtures on China, and the changing international image and position China will have following its power transfer, will create a magnificent, historical picture.

Exiled Students Discuss Democracy Movement

90CM0128A Hong Kong CHENG MING
[CONTENDING] in Chinese No 150, 1 Apr 90 pp 26-31

[Article by Ming Lei (2494 5628), the magazine's special correspondent in Paris: "Exiled Student Leaders Talk About the Direction of the Democracy Movement—Thoughts on the Anniversary of the 1989 Democracy Movement"]

[Text] 17 April 1989—the day when the Chinese Communist Party's Secretary General Hu Yaobang died—is a day that no Chinese can ever forget, because it triggered the biggest nationwide student protest since the Communists took over China. The spontaneous and nationwide nature of the movement must have created spectacles far more moving than what was seen in Tiananmen Square. But the concentration of the foreign press in Beijing and the 4 June massacre eclipsed the significant fact that the

movement had affected the whole nation. As a result, the Beijing student protest became the focus of China's student movement.

The 1989 democracy movement, during which university students confronted the Communist Party face-to-face, started on a purely idealistic note. A year later, its greatness has faded, leaving only pale marks in people's memory. To commemorate this historic movement, I interviewed its organizers, who are from three different areas in China—the so-called student leaders—to get their thoughts about the movement. *The first one is the well-known Wuer Kaixi, who needs no introduction. The readers can clearly see the changes in his thought process. But what is encouraging to those concerned about the democracy movement is that his courage and his willingness to die for the cause of democracy have not changed.*

A Change in Role—Willing To Be a Supporting Actor

Ming Lei (subsequently referred to as Ming): Soon it will be the first anniversary of the 1989 democracy movement. Every Chinese who loves democracy and freedom should never forget the moving scenes at Tiananmen Square. The great changes that took place in the Soviet Union and Eastern Europe in the past year have triggered increasing concerns about the development of China's democracy movement. Having shouldered the historic mission of pushing for a democratic China, your courage and spirit are most remarkable. But I must ask you a serious question: After a year of exile which forced you to be away from China's society and masses (students), how will you continue to lead the student or democracy movement in China? Have you ever thought about a need to change your role?

Wuer Kaixi (subsequently referred to as Wuer): I think you have a good point. The first thing an exile must do is change his role. As you said, I was a leader at the Tiananmen movement a year ago, and I would rather call myself a movement organizer. But I have lost the opportunity for direct contact with the people and for making speeches directly to students to call upon them to act. However, our objective toward a democratic China remains unchanged. I have to admit, however, painfully, that it is not as easy as before. It was already hard during the 1989 movement; we marched on the streets with wills in our pockets, and even went on our knees or burst into tears to demand a simple dialogue. Today, paradoxically we have our own office and a network in the world, but the truth is that it is harder for us now, because we have lost direct contact with the people in China. In this situation we must realize that our roles have to change.

The first step is to change our role from leading actors to that of supporting actors. We cannot remain the leading actors for the democracy movement in China, but until the next leading actor appears on stage we continue to play the lead. We, however, must get ourselves ready for the secondary role so as to guarantee a successful performance by the next leading actor.

Second, we must realize that a democracy movement outside of China is not the same thing as one in China. Overseas actions cannot produce great impact inside China but they are necessary. I praise the fact that CHENG MING and SPRING OF CHINA can be circulated inside China, but their readership is limited there and the magazines' readers are mainly people who live abroad. I feel that the Federation for a Democratic China has done three very important things: 1) The organization was established (its establishment in Paris has brought great hope to the Chinese people). 2) It has launched a great facsimile battle toward China. 3) The Goddess of Democracy ship has set sail toward China. These three things have brought messages and hopes to the Chinese people. The ship, in particular, will enable us to speak directly to the people in China—something that I have been dreaming about this year.

Ming: Would you be willing to play the role of a supporting actor in the democracy movement?

Wuer: Every exiled leader is willing to play the role. It is likely that more people like me will stand out above others, and I may be playing a useful role, not an instrumental one, at that time. But I certainly hope that one day, I will still be able to play a key role in China.

The Mission Abroad Is To "Increase the Temperature" in China

Ming: College students are the vanguards of the democracy movement, and China's student movement should be a prelude to its democracy movement. Are you concentrating your work for the Federation on student movements?

Wuer: As the vice president of the Federation, I place emphasis on its organizational effectiveness. You have rightly said that student movements lead the way for democracy movements. In this respect I have spent more time and effort than anyone else in the Federation. But the temperature of the student movement in China is very cold, too cold to even have the basis for actions. Therefore, our goal now is to "increase the temperature" of the democracy movement in China to the point that it will erupt. We were the phosphorus that triggered the burning last year. Now that we are no longer the phosphorus, we can only seek to increase the temperature from outside, so that a certain temperature is reached and waiting to be ignited by new phosphorus inside China. This is one task that the Federation is doing.

The Federation is planning its fourth mission: setting up a station to broadcast toward China. I can tell you now that we reached a decision yesterday whereby I will be the director of the station. I plan to work hard on this project.

Ming: Last year's democracy movement is approaching its first anniversary and you have lived in exile for almost a year. Reviewing that movement from different surroundings, what conclusions and thoughts have you reached?

Wuer: When I was in China I didn't feel strongly about the students' low democratic qualities. After I left China, I have strongly felt the poor democratic concept among people like us. This year of exile was important to me in the sense that I have increased my concept and quality of democracy. I am very pleased about this. But I am most pleased with myself for one thing: Before, I thought myself as being very important, but now, after six months in exile and after increasing my knowledge of democracy, I have discovered that I am not a very important person, and I even can say that I want to be a supporting actor. Last August in Los Angeles I said I would be the future leader of China. Now if you ask me about this, I will not make the same mistake.

I think there are two stages that China's democracy movement must pass. One is the establishment of a democratic system, the other is the construction of the system. The first stage must rely on the young people who can create a new system by getting rid of the old one with their zeal and ideals. The second one is for politicians to work out. My ideal is good only for the first stage. My aim is for the Federation to return to China to establish a democratic system. After that it will be time for me to withdraw. At least this is that I have in mind now.

My biggest thought about the 1989 movement is that the overall democratic concept among the entire Chinese race is very low. Despite this, I feel that the students did well at Tiananmen Square. I have not felt we have a need to beat our breasts in regret over anything. Of course, any careless statements and erroneous decisions by any student leader at that time could have seriously compromised the whole movement, and there is no denying the fact that this has happened (this is the first time I have touched on this problem). But in a climate lacking high democratic standards, it will be the best we could have done, and last year's movement thus had an inevitable outcome.

Ming: If that movement's leaders had had better strategies, could they have saved more strength with which to strike later when the political climate is more ready? Since you knew the Chinese people had low democratic qualities and that the objective conditions were not ready, why did movement leaders still irrationally insist on "live or die in one battle" which led to a total wipeout of the democracy advocates?

Wuer: You are right. If we had a better strategy, we wouldn't have lost so much and we would have saved more strength. But the problem is whether we could have changed our strategy at that time. We couldn't, under the situation at that time. Because of this, the subsequent mistakes and the eventual failure were an inevitable outcome. I myself was on the brink of collapse physically and mentally. There was nothing any of us could do, and none of us had the energy to keep the situation under control.

Student Movement Should Coordinate With All Levels in Society

Ming: Chinese society offers only a handful of intellectuals while democracy is decided by the majority of people. Being brave and knowledgeable, the students should no doubt be the vanguards of democracy, but other social strata, such as the workers, should not be overlooked. How do you coordinate with the workers?

Wuer: China's democracy movement can only succeed in the future if the students combine their strength with other elements of society, particularly the workers. Our work now does not draw a line in every walk of life. We target everybody in our work, whether students or workers. Perhaps I myself have not tried to separate target areas, so I can't give you a clear answer to your question.

Ming: Many students felt that the 1989 movement was manipulated by other people. What is your reaction to this?

Wuer: The students should know that we chose to be vanguards on our own initiative and that we were prepared to die for our ideal. It is not good to emphasize that one's body has been trampled while one does not think about the significance brought by the trampling. In fact, we are going back to what we discussed earlier—what role should the students play after the role of vanguards? Some people think the vanguards should remain as leaders, but this is a very wrong thought. Once having served their purpose, the vanguards are vanguards no more, but if they continue to work with other vanguards, then they will still be vanguards. I think I have been successful in adjusting the role of play. Some people said I should not have claimed the throne, others even said "those who conquer cannot rule the country." This I found a bit hard to swallow.

Prepare To Return to China Tomorrow

Ming: In your opinion, will China's democracy movement rise again? What kind of role will you play then?

Wuer: The Federation is prepared to wait 10 years, even 20 years, before we can go back to China. But we are also ready to do that tomorrow, because anything can happen in China. My own instinct (I believe in instincts, which I think are an overall judgment) is that the Federation may return in three years.

Ming: Why three years? Please tell me your reasons.

Wuer: This is a feeling, a rough estimate. I think it is unlikely that nothing will happen in China in three years. Can this not qualify as a reason? I have told my friends that the Federation would make a great contribution if we could return to China in three years. The longer it takes, the less effective we will be. The new leaders who emerge later may think people like me are out-of-date, but this should not stop us from helping them with experiences. If no new leader emerges (which is an

unlikely possibility) or if no one stands up to say things when the moment comes, then I will be the one to stand up.

Message to College Students in China

Ming: On the eve of the anniversary, would you please say a few words to students in China through CHENG MING?

Wuer: My dear fellow students, we are still college students, like yourselves. Although we have been forced into exile abroad, although we cannot stand by our parents like you can, although we cannot stand on the anti-tyranny frontline to support the struggle for freedom and democracy like you can, yet we are doing the same thing as you. We have fought for freedom and democracy, and we are still fighting for freedom and democracy. You and we, we are all supporters of the democracy movement. The most important thing now is to learn about the true essence of democracy, which no Chinese student should fail to learn. My dear fellow students, I hope that when the right moment comes, when we can no longer bear the pains imposed on us by tyranny, you will seize the opportunity to march in the streets with us, to march to the frontline, to take up the position of vanguards, so that once again we can courageously assume the responsibility that history will bestow on us. We hope everything goes well on your end, hope you are making progress in your studies, and hope you and your families are safe... (Wuer Kaixi said this in a very sad and solemn tone)

Cai Chongguo was a graduate student studying for his Ph.D. at the philosophy department in Wuhan University. Specializing in the history of Western philosophy and contemporary Chinese political problems, he is an expert on the Cultural Revolution and the fundamental problems of China's society. Born in 1955, he became a party member at age 18. He participated in a student movement in Wuhan in April 1989, and became one of two student leaders, the other being the recently arrested Li Haitao, who negotiated with the provincial government. He was wanted by the government after 4 June. During his escape, he smuggled to Shenzhen a tape which recorded Chai Ling's accusations on the 4 June massacre. The tape was later taken to Hong Kong by a Hong Kong businessman. Cai Chongguo now lives in exile in Paris and is an active member of the overseas democracy movement.

Can't Hope To Gain Too Much in One Movement

Ming: The student movement erupted everywhere in China in April 1989 to commemorate the death of Hu Yaobang. As a representative of the Wuhan movement, would you please describe what happened there and then?

Cai Chongguo (subsequently referred to as Cai): The most important feature of the 1989 movement was that college students throughout China took part in it. Unfortunately the media concentrated the reports on Beijing and neglected other cities. On 16 April, the day after the

death of Hu Yaobang was announced, big-character posters and wreaths mourning his death appeared on the campus of Wuhan University. The next day, a few hundred students marched in the streets, watched by curious citizens. Several other demonstrations took place later, and none of them was staged because of what happened in Beijing. The students were intimidated by an editorial that appeared on 26 April, but became emotional the next day when news arrived of the 27 April demonstration in Beijing. I made a talk to the students titled "Reflective Thoughts in April," which sought to encourage them to go back out in the streets. Later, I urged them to stop demonstrating because I thought that an editorial on 29 April and a dialogue between the government and the students signified a victory to the students. Thus, the protest marches were suspended until 14 May, when the movement in Beijing spread to Wuhan and affected everybody in the city.

Ming: In retrospect, do you think the Wuhan movement was different from the Tiananmen movement?

Cai: The Wuhan movement was organized by Wuhan University, with the philosophy department as its action planner. We were more cool-headed in handling it. The movement started on the campus, led by courageous students. We were also the first to review the situation, the theoretical basis for which was summarized in my talk to the students. Had the Tiananmen movement been carefully planned like ours, the outcome would have been different. I don't think one should hope to gain very much in one single movement.

Democracy Movement Should Have a Strategy

Ming: Are you in exile in Paris because you are wanted by China? What charges do they have against you?

Cai: A massive memorial service was held on 8 June in Wuhan University, attended by 10,000 students who burst into loud cries. Because I visited Beijing in late May and witnessed the brutal killings of people by tanks, I spoke about this during the service and the talk became evidence of my crime. Of course, I was wanted also because I was a key figure in the Wuhan movement. They charged me with "instigations counter to the revolution." Furthermore, Chai Ling's tape was smuggled by me to Shenzhen, from where it was taken to Hong Kong.

Another brave Wuhan student leader, Li Haitao, has unfortunately been arrested. An editor of the "French studies" magazine, he was involved in the movement from the beginning, until such time when he was wanted by the government. Recently I heard he had been taken to Beijing. I have no idea what happened to him. I am most distressed about his arrest.

Ming: As an exile, what special thoughts do you have on the eve of the anniversary?

Cai: I often thought that if we had carried out the movement in a different way, we would have been able

to remain in China, waiting for the next opportunity, while we continue our studies and research. After I came abroad and saw so many movement leaders around, I realized that I could contribute more if I were in China. There are so many movement leaders overseas and they are so far away from China, and there is no one to carry on the movement inside China. If we had stayed in China, our experience at the 1989 incident plus the influence resulting from changes in the Soviet Union and Eastern Europe would give us a better chance next time. No matter what, I am of the opinion that the 1989 movement was significant in the development of China's democracy movement.

Lastly, I want to add that the Hong Kong people's support for last year's movement was very encouraging to us. We will never forget that Hong Kong people risked their lives to help us escape.

Liu Wei was a little-known student leader from Hunan during the 1989 movement, but his name was known to many students at Changsha. A student cadre at Changsha Railway College in Hunan, he was born in 1969, a member of the party's Youth League, and he was actively involved in and organized the student movement last April in Changsha. He was a member of a student delegation that negotiated with the Hunan provincial government. Now he is in exile in France.

The Workers Have Not Been Aroused

Ming: Where did you want to go when you were on the run?

Liu: Before I was on the run I had been interrogated many times by the Public Security Bureau. At first I did not want to run and did not think about going to Hong Kong, because I have no contacts. Later on, my schoolmates told me I should hide because I was about to be arrested. So I fled to Guangzhou. I used the money my mother gave me to buy two videorecorders, brought them to Xian to sell, and returned to Guangzhou. Then I was completely broke, and was helped by a fellow student to escape to Hong Kong. If I had had money left, I would have stayed in China.

Ming: What thoughts do you have now on the 1989 movement?

Liu: I think one major reason for its failure was that the student leaders did not know how to arouse the masses and let them take the lead to challenge the government. The second reason was that the student leaders were not mature enough to lead or control the whole situation. A student movement has to be led by people with brains and the ability to organize. The third reason was that the students did not seized the opportunity when it came.

Another point has to be mentioned here: The intellectuals were weak during that movement. Chinese intellectuals are always good at playing games in the dark; they criticized the students behind their backs, but were unwilling to show themselves on the stage. There are so

many intellectuals in China, but only four or five came to Tiananmen Square, including Liu Xiaobo. It is no use that the intellectuals just stood back and criticized the students; they should have worked together with the students on the front. The intellectuals knew the students were not mature enough but would not come out to lead them! When we were at a loss and did not know what to do next with our movement in Changsha last year, we had hoped that an intellectual would be our leader and guide us through. But the fact was the intellectuals took off after giving some suggestions to the students, leaving us with the feeling that we were not good enough. Fang Lizhi, for instance, is widely respected by students; he is our Sakharov. If he had come out to lead the student movement from the onset, the students would have listened to him, and the movement, led by a credible leader, would have been in better control. Since none of the students was authoritative enough, no one obeyed anyone else, and the whole situation just went wild.

The above was just my thought on the 1989 movement. We, however, should not write off this movement, because it was very significant, something which had never before happened in China.

Adopt the Path of Poland's Solidarity

Ming: Based on your experience in organizing student movements, what needs to be done for China's democracy movement to succeed?

Liu: It is important that the Chinese people, whose concept of democracy is very low, know they should fight for democracy. The Chinese Communist Party may be split in the future, like what happened in Eastern Europe, but the East European-style of reform is not thorough enough and has to be pushed by the people. If the people allow the party to continue to monopolize the country because it has promised reform, then they will be wrong. The saddest part of it is that the Chinese people are fighting the Communist Party, not a one-party dictatorship, because their democratic awareness is not strong. If the people do not rise in revolt and fight for democracy, then the communists will never practice democracy. In addition, the students should never insist on the "pure nature" of their movement again, should not oppose cooperating with reformist political elements, and should coordinate with other people in society.

Furthermore, the democracy movement should now sit down to do practical work. I think China's democracy movement should go underground just as Poland's Solidarity did. Underground activity should be carried out despite the lack of church support and money. China's democracy movement can truly succeed if it has the kind of mass support given to Solidarity. Of course, a lot of courage and sacrifice are needed if this is to happen. At the moment only the students have the courage, but they cannot do much because they don't have financial support. If overseas democracy organizations can transfer some of the money they receive from donations to support the underground activity in China, then many

students will take the risk to work for the movement. I would not hesitate to return to China to dedicate myself to the cause of democracy if I knew there was any way that the lowest possible financial support would be given to organize underground activities. Nothing can be achieved if there is only courage and no money at all.

Strengthened Accountability to Masses Urged

90CM0187A Beijing JINGJI RIBAO in Chinese
1 May 90 p 3

[Article by Yin Qingyan (3009 1987 6056): "Render Close the Relationship Between Party and Masses"]

[Text] The relationship between our party and the masses and between cadres and the masses are, generally speaking, very good. However, over the years decadent phenomena such as bureaucratism, subjectivism, formalism, self-indulgence, and misuse of power for selfish gain have appeared in some party members and cadres, to a very serious extent in some cases. Earnest efforts to implement the spirit of the Sixth Plenary Session of the 13th CPC Central Committee, to overcome various evil forms of estrangement from the masses, and to further tighten our bonds with the masses are of utmost importance and have far-reaching significance for the accomplishment of the historical task presently entrusted to the party.

As a Ruling Party a Party Is Apt To Lose Contact With the Masses

The CPC is the party of the working class, representing the interests of the people. If a party that works wholeheartedly for the interests of the people assumes power, it should be impossible, in theory, for this party to become estranged from the masses. However, actual practice has shown that even in a communist party, which represents the interests of the people, acts and activities may occur within the party after its assumption of power that show an estrangement from the masses and that are harmful to the interests of the masses. Reasons for such occurrences are:

The radical change in the position of the party. If the position of a party changes from one of being surrounded on all sides, persecuted, and victim of massacres, into a party of leadership, endowed with all state powers, circumstances have indeed changed. Because state power is the core of the superstructure, comprising all the mighty powers of leadership and distribution in all phases of social life, it objectively creates a situation that is apt to lead to an estrangement of the party from the masses. It is precisely because of this prerequisite of power at the disposal of the party that acts will occur that show estrangement from the masses, such as misuse of power for private gain, bureaucratism, and so forth.

Since socialism is still young in China, it has not been possible for its political power to attain a perfect, faultless shape during its short existence. On the one hand, it was the means by which democracy was instituted for

the broad masses and by which dictatorship was imposed on a small part of the population, and it thus became, compared with all previous regimes, the one regime that most emphatically negated all special privileges. On the other hand, all imperfections that were still clinging to this regime, such as the various shortcomings in its political system, offered opportunities that were taken advantage of by persons intent on misusing power for personal gain, and that would allow them to engage openly in acts, using a variety of "justifiable" reasons and pretexts, that were harmful to the interests of the people.

In a peaceful environment, the party leads the people in building up socialism. "Enemy's presence quells squabbles, enemy's departure swells troubles," as the saying goes. The presence of an enemy has the effect of keeping people's minds keenly aware and of having everyone spurred to do his best; but a paralysis is apt to set in after the enemy has been wiped out, with lax and lazy attitudes leading to misbehavior and crime, and ultimately inviting disaster. After its protracted revolutionary struggle that ended with victory in the revolution, the CPC also faced the danger of "enemy's departure swells troubles." The peaceful environment was apt to lead some party members to believe that times of hardship were over and happier times had finally arrived, times when it would be possible to reap rewards for past merits; a mood set in of seeking ease and comfort and of disdaining any further hardship. A peaceful environment was also apt to have some party members lose all revolutionary zeal and their spirit for arduous struggle. Moreover, a peaceful environment ensures security for the regime of the ruling party; and the wrongdoings of some party members or cadres, although cause for resentment among the masses, will not immediately endanger the existence of the party and of its regime. Add to it the fact that some people are fond of catering to the fancies of the leadership, they like to fawn and flatter, they will report only good things, while suppressing worrisome things, and all this will also have some party members and cadres more easily lose vigilance and blind them to the dangers of estranging themselves from the masses.

The changes that have occurred in the rank and file of the party. Joining the party during the years of the revolutionary war brought (a) no official position, (b) no benefits or salary, and (c) no privileges, but did entail danger to life and limb. Under these circumstances, hardly any opportunists or unstable characters would want to enlist in the communist party. Even if some such elements were swept into the party by the wave of the revolution, they would be quickly eliminated during the brutal struggle. This acted as a natural, objectively effective protective screen during the development of the party in past years. After victory in the revolution, not only was there no more risk in joining the party, but new entrants would also gain positions of trust and employment in important positions. It was therefore possible for individual opportunists and people seeking personal

benefits to adapt themselves to the meshes in the protective screen and slip through into the party. Moreover, efforts to attract new party members tended for a long time to disregard quality, so that the party increased in numbers, but declined in quality. Under these conditions—the party being a ruling party—even old, battle-scarred party veterans and old cadres faced the test of having to withstand temptations of “power, fulsome praise, and of attaining personal fame and fortune.”

The party is up against a feudal mentality. China has a long history of feudal thinking. A mentality of affording and enjoying special privileges was formed during the rule of the exploiting classes throughout the ages, and the influences left over from the feudal systems of those days are deep-rooted and firmly embedded. The CPC has waged a new people's democratic revolution for 28 years, and its overthrow of the reactionary rule of feudalism and of the feudal system of land ownership had been successful and thorough. However, the task of eliminating all ideological and political vestiges of feudalism could not be fully accomplished because their significance was not fully recognized, and socialist construction was entered upon too quickly. Since our party members and cadres have grown up on this land that is China, it was unavoidable that they would come under the ideological influence of feudalism.

With reform and opening up to the outside world the party became increasingly exposed to the danger of corrosion by capitalist ideologies. It is like opening a window—it will allow fresh air in, but flies will enter too. Reform and opening up have promoted a rapid development of commodity economy, but have also introduced certain negative factors. Under these circumstances, the possibilities of the party suffering corrosion by decadent capitalist ideologies and capitalist lifestyles has increased greatly compared with earlier times. Whenever advanced technologies and equipments of the West are imported, decadent Western bourgeois theories, culture, and lifestyles take advantage of the opening and slip in too. This new situation is a strong social irritant as far as members of the ruling party are concerned. Because of differences in ideological quality, party members are differently affected in their subjective feelings and in psychological respects. The large majority of party members are quite capable of standing the tests of reform and opening up, but some weak-willed party members are easily drawn toward a capitalist lifestyle and will end up losing moral integrity and ideals.

It must be pointed out that even though both a proletarian revolutionary political party and the political party of a through-and-through exploitative class, after gaining state power, will face the task of linking up with the masses in order to consolidate their political power, there is an essential difference between the two and they must not be confused with each other. The reason the political party or political clique of the exploitative class wants to gain political power is to replace old privileges with a new set of privileges. Once they have political power in their hands, they will, of course, exploit and

oppress the people, and degeneracy and demoralization will unavoidably be their early fate. “Their rise will be quick and their destruction sudden,” as the saying goes. That is precisely the historical rule that they will follow once they have state power in their hands. The purpose of the political party of the working class in gaining state power is not to gain privileges for themselves, but rather to achieve the thorough liberation of all mankind. It fundamentally determines that this party can stand the test of being a ruling party and that it will always represent loyally the interests of the people. When Mr. Huang Yanpei (7806 3508 1014) visited Yanan in 1945, he told Comrade Mao Zedong that not one individual, household, group, locality, and the whole country would be able to escape the force of the cyclic rule. Generally, when they had first come together, they concentrated all their attention on their tasks, there was not one thing that was not diligently attended to and not one person who did not exert all his strength, perhaps due to the hardships of that time when people's only concern was to escape with their lives from a thousand dangers. Later, as circumstances gradually improved, they became gradually more relaxed, inertia set in, first a few, but, gradually, in increasing numbers, until it became regular practice, and although much power was available, things could no longer be turned round. Huang Yanpei was hoping that “all you Chinese Communists” would be able to find a new way to escape the cyclic rule of rulers throughout the ages, namely moving from arduous pioneering construction to estrangement from the masses. Comrade Mao Zedong answered that we have already found a new way that will allow us to escape this cyclic rule, namely democracy. By merely allowing the people to supervise the government, the government will then not dare to be lax and lazy. By merely giving each individual responsibility, the people will not perish and government will not cease. It is therefore certainly not an unavoidable rule that our party on assuming power will be unable to defy the tendency of getting estranged from the masses.

How is the ruling party to prevent estrangement from the masses?

Thorough general reeducation within the party in Marxist mass standpoint and in the party's mass line. From our party's successful experiences we see that ideological cultivation is the foundation and prerequisite for party building. “Sincerity of heart will show in outward expressions.” If only ideological perception is raised high, close contacts with the masses will become self-understood conduct of the whole party. As we look at the problems that exist within the party, we see that the many phenomena of estrangement from the masses are mainly problems of ideological perception. The problems in ideological perception can be resolved only through education.

Party cadres of all ranks must regularly go down to the grassroots units, go deep among the masses, and actively clear and broaden all channels between the party and the masses. By becoming one with the masses it is not only

possible to establish closer relations between cadres and the masses, but also to overcome subjectivism, change the work style of the leadership organs, and have the policy decisions of the party leadership at all levels become more accurate and scientifically well-founded important measures. Now that we are confronted with the tasks of further improving the economic environment, rectifying the economic order, and deepening the reform, the effective accomplishment of a closer bond with the masses has become even more important.

Beginning with strict control and management of the party, we must resolutely overcome negative and decadent phenomena that still exist within the party. Water can bear, but can also overturn the boat. This is a historically proven truth. Many people are now critical of the CPC, mainly because there are indeed various negative and decadent phenomena in the party. If the party will not most emphatically and resolutely meet out punishment in the case of such decadent phenomena, but will allow them to further develop, the party would seriously estrange itself from the masses and incur the danger of self-destruction. In punishing decadence, the first target should be the "real perpetrators." When setting out to strictly remedy conditions in the party, it is no longer possible to stop with verbal reprimands, making entries in documents, and publications in newspapers.

Strengthening the institutional buildup. We have, without tangible results, on several occasions in the past taken action against the bureaucratic work style that had been associated with estrangement from the masses. This was certainly due to the ideological attitude of certain leading cadres. But it is precisely as Comrade Deng Xiaoping once said, problems in the organizational system and in the work system are of greater importance than other problems. If the systems are in good condition, they will make it impossible for evildoers to commit any wanton misdeeds, and if these systems are bad, they will prevent good men from doing fully effective jobs, or even have them get on the wrong track. Systems themselves have strong transmittal capabilities. To clamp down on all unhealthy tendencies it is necessary to have good traditions and work styles become the conscious conduct of all party members and cadres, and it is necessary to have such systems institutionalized.

Ai Duanwu Discusses Overseas Democracy Movement

90CM0124A Hong Kong PAI HSING [THE PEOPLE] in Chinese No 213, 1 Apr 90 pp 46-47

[Article by Tseng Hui-yen (2582 1979 3601)]

[Text] [Editor's note] Ai Duanwu (son of renowned poet Ai Qing) was an editor of XIN GUANCHANG [NEW OBSERVER], a magazine published by the Chinese Writers Association. Born in the "holy revolutionary city" of Yanan, he has suffered because of his father's rightist connections. In April 1989, while the magazine's editor in chief, Ge Yang, was visiting the United States,

he was responsible for approving and editing articles for the magazine's 10th edition, which was suspended by the Communist authorities on the grounds that it contained content that could incite "turbulence." The suspension was ordered on the basis that the magazine "violated the first and third directives of martial law of the Beijing people's government." Ai Duanwu later fled abroad after 4 June and joined the Alliance for a Democratic China. The Chinese Writers Association in February announced that it had stripped him of his membership and his position as editor.

Ai Duanwu reviewed the development of China's democracy movement in the past year from the point of view of an artist involved in the 1989 movement. He demonstrated his power of observation and made the following remarkable revelations. [end editor's note]

Elitist Democracy Leads to Failure

[Tseng Hui-yen] What, in your opinion, accounts for the steady decline of the overseas democracy movement?

[Ai Duanwu] The decline has been triggered by attempts to engage in elitist democracy, as was the case with the Tiananmen movement. The overseas democracy movement after 4 June has failed; it is, in fact, a continuation of the failure that happened in Tiananmen. In other words, some democracy activists took their experience of failure abroad, where they continued to practice that experience and continued to fail.

[Tseng Hui-yen] Some people are not hopeful about the future of China's democracy movement because there are 200 million illiterates and 800 million peasants in China. What is your reaction to this?

[Ai Duanwu] Regardless of what Deng Xiaoping's original intentions were, his policy of reform introduced 10 years ago has opened up China, bringing in contemporary thoughts, democratic concepts, world civilization, and trade. The democratic concept, in particular, has stirred up hope among intellectuals, workers, peasants, and soldiers. To say that China's peasants do not want democracy is wrong.

Having been a journalist for 10 years, I have interviewed peasants in rural areas and understood that the peasants have stronger emotions than the city people but are too shy to express them. There have been farmers' revolts in recent years but none of them has ever been reported because the government imposed news blackouts on them. For instance, a farmers' revolt erupted in 1988 in the suburban Beijing district of Yanshan. Several thousand armed police from the Public Security Bureau were sent there to quell the unrest, which was put to an end after a bloody battle. Another farmers' revolt that took place two years ago in central China saw tens of thousands of farmers storm into a petrochemical fertilizer plant in an attempt to get fertilizer for their crops. A large number of soldiers and police were mobilized to squash this revolt.

The workers, on the other hand, have been discouraged by and increasingly unhappy about the failed reform policy and protested by slowing down their work. This was like trying to cut the Communist Party into pieces with a soft-edged knife, which was more deadly than street demonstrations. Residents in renowned writer Xiao Jun's hometown have been cheered by an armed underground group which assassinated corrupt officials in a bid to help the peasants. An investigation that began several years ago by the Public Security Bureau has so far yielded no results.

Those who do not side with the masses are destined to fail. This is as true in China as in foreign countries. The next democracy movement in China does not need the participation of all 800 million peasants to succeed. Also, it is wrong to assume that the Chinese people, 200 million of them illiterate, are difficult to mobilize. First, how can you say they can't be mobilized if you have not thought of mobilizing, or tried to mobilize, them? During the 1989 democracy movement, no one made a special effort to mobilize the masses, but many who lived in Beijing's outlying areas took part voluntarily. The problem was that there was no one there to guide them, and some didn't even allow them to be involved in this people's revolt. Some activists, after fleeing abroad, claimed that the 1989 incident was a "student movement" in nature. This clearly demonstrates their mentality of elitist democracy. When they are away from the danger zone, they again took on this mentality to reject other people. This is why I said they are heading for a second death.

Second, there were more illiterates in China's history, but they were neither a motive force nor an obstructive force in any movement. Third, Why can't we pay particular attention to the fact that there have never been so many civilized people in China as there are now? To say there are 200 million illiterates without saying there are 800 million more people who are not illiterate, is unfair.

Democracy Movement Is a Political Struggle

[Tseng Hui-yen] How do you think Chin's democracy movement should proceed in order to be effective?

[Ai Duanwu] The tinder of Chin's democracy movement has piled up higher than before 4 June. The quiescence of the people is like an inactive volcano waiting to erupt. The flames will thoroughly consumer the dictatorship.

A democracy movement is in essence a political struggle. A democracy organization is a political organization that needs to be run with a clear mind, otherwise its leadership will make repeated mistakes and be condemned by the people. A political struggle is extremely complex and cruel. When facing a cold and calculating opponent, you must carefully consider all possible consequences and make decisions accordingly. If your opponent is a wolf and you think you are in the company of sheep, then it will be like kissing his bottom with hot lips. If this is purely a personal desire, then the consequences to others

are minimal. But if you are involved in a movement that decides history, then you can not be compromising.

The 4 June incident was a failure. Many "political elitists" participating in it did nothing but indulge in flights of fancy, and they should be responsible for the failure. They were weak, but they did not have the courage to admit it. They were a bunch of defeated dreamers, but they thought themselves heroes. In the military, a commander who leads a battle to defeat has to face court-martial. Many people who survived the Tiananmen incident and fled abroad have mistaken sympathy for worship. They have made careless remarks, spent money mindlessly, and formed factional groups, turning the task ahead of them into a chance to promote personal ambitions. They have not dared to review the 4 June incident, because if they did, they would have to admit they were responsible for the failure. We can say that if no solemn, painstaking efforts were made to examine the reasons that led to the failure, the overseas democracy movement would not have any prospect at all.

All Possible Means Must Be Mobilized

[Tseng Hui-yen] Can you make a concrete analysis of how the overseas democracy movement should be organized?

[Ai Duanwu] The emphasis should be on underground struggle. Mobilize all possible means, prepare all necessary strengthens, and strike when the time comes. If we hit at the heart, then our target will be immobilized instantly.

The overseas democracy movement should stop all its illusions about Communism. It also has to know its enemy's strong and weak points. The Chinese Communists' strong points are their huge army, vast land area, and international recognition. Their weak points are many, including the contradiction between their theoretical guidelines and implementation of these guidelines, the total failure of the reform programs and their impact on the people, repeated mistakes in economic policy, the decline in popular support, and the decline in international prestige.

The democracy movement, on the other hand, enjoys widespread support in and outside China. Its steady deterioration in the past six months was the result of weak leadership, which has led to widespread disappointment among its supporters. But this disappointment was mainly toward the Alliance, not the movement as a whole. Whoever can lead a better democracy organization will win support.

In addition, the movement should form a task force to analyze the lessons and experience of the 4 June incident and propose a platform. It should make known its platform through the media. When the people in China learn about their proposals for a democratic system, they will be waiting for it to come. The overseas movement should also pledge itself to peaceful and rational means,

without ruling out the use of force as a means to achieve it goal. It must establish itself on solid ground, abandon illusions, and give up idle talk.

Economically, it should not rely just on donations. A good management system should be set up to supervise the use of funds so that money will not be spent unnecessarily. It has to build up its own economic strength, rely on itself financially, and free itself gradually of dependence on donations, so that it can have the freedom to make independent decisions.

The movement should establish itself as a unified organization. If those people cannot cooperate with each other, how can they talk about fighting for democracy in China?

[Tseng Hui-yen] Efforts are under way to form the Free Democratic Party of China (so named temporarily), and the two major democracy organizations are talking about combining their strength. What is your comment on this?

[Ai Duanwu] Disappointment in the two organizations has led to a desire to form a political party. But it is better to form a party on a unified basis. The Alliance has thought about forming a party, but its weak leadership has prevented this from happening. Some people said the current efforts to form a party underlined attempts to amplify factional infighting, but I disagree. If overseas democracy organization cannot be united among themselves, then they will not be effective and lose their reasons to exist. If they cannot seize the opportunity when it comes, then they will eventually be phased out.

Values of Contemporary University Students

90CM0008A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 242, 1 Mar 90 pp 78-80

[Article by Cheng Ying (2110 1305): "Let's Look at Those God's Favored Ones of Today"]

[Text] After last year's student riot, the Chinese Government has been using a magnificent term—"sublimation"—in its propaganda programs to educate university students' thinking. It means that the students, whose patriotic emotions have been manipulated by bad people to the extent that it caused the 4 June tragedy, have now waken up and reached a level of "sublimation" in their knowledge of things. Now that trouble is over, the campuses are quiet and filled with an encouraging atmosphere of learning.

What are the college students in China doing now? What is on their mind? Have they become a tamed new generation as newspaper reports suggested?

I have obtained some information, some of which came directly from mainland colleges, some based on mainland tabloid reports and analyses on what the students were up to, and others from questionnaires and polls conducted by social sciences departments in cooperation

with the government's programs on ideological education. From the above information we can get a glimpse of what the students are doing now.

To Begin With "Desk Literature"

During these past few years, society has seen a "folk-song wave," songs whose lyrics were slangs ridiculing wrongdoings. But more recently there has been a popular "desk literature" written on blackboards or desks in universities. The writings, authored by students, reflected the mood on the campus. Here are some highlights taken from a university in southern China:

1. When will you come again? I will come tonight. What will you be doing? To give you a bottle of tears. Look at you, my sweetheart!

2. The marks need not be high, to pass is enough. Learning need not be in depth, cheating will do. This is a church, but only I am free. Novels are passed on quickly, pictorials are read enthusiastically. Though it's not a dance floor, it is as good as an entertainment hall. The heart says: Just get a diploma!

3. First year—idealism; second year—pessimism; third year—criticize realism.

There were more taken from poems of the Tang and Song dynasties. These sentimental poems underscored a feeling of confusion and a growing hatred for schools.

Let's look at a notice pasted on the door of a girls' dormitory in a graduate school:

The wedding day is hard to come, the beautiful girl is hard to find. We are outgoing, good at singing and dancing (we especially don't take things too hard). It is now autumn. Those who want to enjoy the red leaves with us, please provide all expenses. Show up at a specified time and place, and carry a book to identify yourselves.

This type of multifarious ad was often seen on notice boards bringing joy to the campus. Advertisements for friends, marriages, or just for fun became commonplace.

Judgment Based on Political Merits

Since the antirightist campaign, politics has often played a key role in deciding one's entry to a high school or college. Sometimes political considerations were as important as curriculum performances. Last summer's college entrance exams, which coincided with the student riot, added one category of qualification—the student's "activity during the time of the student movement." Thus, many young people were prevented from entering college. Predictably, this year's exam for 620,000 places in universities will emphasize political elements.

Very few of the students who are about to graduate this year from High School No. 1 in Hangzhou City took part

in last summer's riot, while many of the school's lower-grade students did. The reason was that those graduates-to-be were under pressure to study for college exams. One teacher publicly said, "It will be my responsibility if your marks are not good, but you will have to blame yourselves if your political evaluations are not good." After studying for so many years and with a certificate soon in hand to go to college, the students naturally would not take any risk. So they shut themselves out of the student movement.

The qualifications for being a member of the Communist Youth League were not strict a few years ago. Now, "Red to the bottom of the heart" is an essential criterion. Many simple-minded youths or those unwilling to become cadres were deeply troubled by this.

All Sorts of "Mao Zedong Fever"

Mainland newspapers have been giving positive reports about the "Mao Zedong fever" that has appeared on the campus in recent years. The government, pleased with this, has allowed a great quantity of publications about pro-Mao writings (see appendix). Political cadres said this wave of "searching for Mao Zedong" by the students has provided a "new turning point" for ideological education.

In fact, this "Mao Zedong fever" was but a compromise between confusion and contradictions. It was far different from "searching for Marxism and Leninism" or "identifying with Mao Zedong Thought." Some said this fever was just a fad similar to the previous "craze for electronic products," "craze to be in business," "craze to go abroad," or "karaoke fad."

Some people analyzed the cause of this "Mao fever" and came up with the following conclusions:

1. Curiosity and mystery. Mao was once a legend, a god. Any insight into Mao's life or work would be of interest to people.
2. Mentality of worship. Mental depression often led to a renewed search for spiritual support or a spiritual idol. The power struggle and the change in personnel in high places of the party rekindled the students' desire to worship Mao.
3. Reminiscence of the good old days. The problems of corruption, unequal distribution and a divided party have disappointed the people, and the Tiananmen massacre further embittered them. So the people naturally yearned for the quiet, honest life of the fifties and sixties.
4. Naturally, the renewed study of Marxism and Leninism contributed to the emergence of the "Mao fever." RENMIN RIBAO has had tons of reports on the "self-teaching study groups on Mao's writings."

Another major reason was that publishing houses were eager to publish popular, profitable books. This was the case when books on "melancholy literature," "report literature," "fortune-telling" and "sex" were selling like

hot cakes. Books published during this Mao fever were about Mao's love affairs, secrets, and life.

Continuing Fad for Doing Business on Campus

Any one walking onto a university campus would unavoidably see all kinds of small commercial advertisements for items ranging from home appliances to clothes, shoes, and socks. (After the new student guidelines were issued, these advertisements have become an underground operation). The businesses advertised were sales for second-hand books, stamps and groceries, development and printing of film, weekend jobs, and organizing of weekend dance parties. So, there were sacred classrooms on the one hand, and street-vendor businesses on the other. The campuses were filled with the stink of money.

The open ground in front of the student canteen at Beijing Normal University became a free market, where colorful clothes were hung on trees and items for sale, such as fruits and cooked food, were stacked on desk after desk. The students, who became businessmen without having to apply for licenses, used social sciences jargon when hawking their wares. This was like the market places.

According to a poll done before 4 June last year on business that took place in universities, there were three levels—high, middle, and low—of commercial activity on the campuses. The high level involved the transfer of academic and scientific research results or the use of them in production. The middle level referred to small-scale grocery stores, coffee shops, and dances organized privately by teachers and students. The low level were hit-and-run hawkers who resold products they had purchased.

It was learned that a market investigation group had openly listened in on conversations conducted on a public telephone in Beijing University. Of the 12 students who used this telephone during the span of an hour, 10 of them talked about business subjects concerning transactions of cars and color television sets.

I discussed this problem with some college teachers during my trip to China late last year. One chemical engineering teacher told me he was troubled that his son, who was studying at a university in Beijing, kept writing him for a raise in monthly allowance, claiming that the monthly scholarship of 30 yuan plus the 50 yuan sent by his father was not enough to get by. He said his son complained that many schoolmates got extra income from operating small businesses; for instance, a student living in the same dormitory earned 300 yuan every month by repairing bicycles.

Some students were saving money in the hope that they could afford to buy U.S. dollars on the black market when they go abroad to study.

The interest in running businesses has directly affected the students' desire to study, thus, the rate of absence

from classes was high. For example, only two students showed up for a Beijing University class on party history. Some teachers themselves were involved in on-campus businesses.

So far, a number of "hangbag companies" and film-developing shops set up inside dormitories have not been closed. Organizing dance parties remain a popular undertaking.

Learning To Promote Oneself

The students' activities to promote themselves have not stopped since the 4 June incident.

During the early period of the reform and open-door policy and after the China-Vietnam war, college students were keen on a campaign to "understand me." Many girl students subsequently fell in love with war heroes, or even wounded soldiers. Soon afterward, a campaign to go to Hainan saw tens of thousands of students heading south empty-handed in an effort to promote themselves. After experiencing difficulties, those students calmed down and returned to their schools.

The reform programs opened up a market for talents and stirred up a campaign by the students to recommend themselves for jobs that they hoped to keep after graduation. A student at the University for Police Officers, who had been turned down by more than 10 units, got a job with a company by recommending himself. Many students started recommending themselves long before graduation for fear that they might be unable to make a living if they could not get a job allocated by the state.

China has rescinded a policy adopted two years ago on abolishing state control of jobs. This year, jobs will still be allotted by the government in a move, as explained by a political cadre, to create stability on campuses and reduce the students' anxiety.

What Did the Polls Say?

Influential organizations such as the Central Socialist Academy, BAN YUE TAN [SEMIMONTHLY TALK] magazine, and ZHONGGUO QINGNIAN BAO—conducted opinion polls on students before and after 4 June. After the Tiananmen incident, some of the polls were looked into by the government, which withheld some of the polls' findings by classifying them as confidential.

The information I got indicated that some of the questionnaires reflected upon college students' mentality and their concept of value. They were:

Some second-year and third-year students at People's University were asked the question "how do you intend to spend your life?" Of all the answers, 6.1 percent said they would struggle throughout their lifetime to see communism realized; 40.1 percent would "uphold socialism and work hard for the four modernizations"; 29.2 percent would "make a living according to what I

can do." This explained that the students were inclined to think less about ideological issues and more about practical problems.

Students at six universities, including Yunnan University, were asked "what method do you use when you ponder social problems?" Some 99 percent said they "think independently" or "debate with others." No one responded that he "totally accepts existing concepts (as given in official education)." This meant nobody obeyed the government blindly.

A poll asked 100 students of the Beijing Foreign Language School to rank six listed categories of living in an order according to their preferences. The result was: The category "to live in a way that pleases me" was placed first by 38 students, second by 27, and third by 15. The category "to become a rich man" was placed third, fourth, and fifth by 11 students. The category "to live a carefree life" was placed first by 15 students.

A panel discussion on "the purpose of life" was held at a university in Zhejiang. While discussing the topic of love and premarital sex, more than half the participants said that sex before marriage was an issue of personal choice which should be respected.

There have been other polls which reflected college students' concepts of life, aspirations, money, and feelings.

Appendix: Small Statistics With Regard to the "Mao Zedong Fever"

During the campaign to "search for Mao Zedong," publishing houses have published or reprinted books on Mao, including *Mao Zedong and China*, *Anecdotes of Mao Zedong*, *The Summer at Lushan in 1959*, *Mao Zedong and His Secretary, Tian Jiaying*, *Mao Zedong in His Later Years*, and *Biography of Mao Zedong*.

Articles published in magazines included:

"Mao Zedong as Described by Khrushchev," published in MIWEN JISHI [FACTUAL REPORT OF INSIDE STORIES].

"The Love Affair Between Mao Zedong and Jiang Qing," published in GANG-AO YANJIU [HONG KONG-MACAO STUDY].

"The Secret Agents Who Murdered Mao Zedong," published in ENTERTAINMENT WORLD.

"The Tempest of Mao Zedong and Red Guards," published in CHUN QIU [HISTORY].

"Mao Zedong in His Dying Years," published in HU MEN [TIGER'S GATE].

"Mystery on Mao Zedong's Whereabouts," published in HUADI [FLOWER FLOOR].

"Mao Zedong's 95th Birthday—In Memorial Halls," published in HAINAN JISHI [HAINAN JOURNAL].

"Mao Zedong's 114 Days in Changsha," published in JIZHE WENXUE [JOURNALIST LITERATURE].

"I Didn't Murder Mao Zedong," published in JINDAO [GOLDEN ISLAND].

Articles appearing in newspapers included "Mao Zedong's Satellite War, 1958," "Mao Zedong and Nixon in 1972," "Mao Zedong's Family," and "He Zizhen's Path."

Proposals Made for Further Administrative Reform

90CM0076A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 2, 15 Feb 90 pp 38-42

[Article by Cai Zhiqiang (5591 1807 1730) of the Shanghai Personnel Bureau: "The Development and Improvement of Administrative Culture"]

[Text] A. The Functions of Administrative Culture

Social culture assumes different forms in different arenas of society, different social organizations, and different members of society. In the area of administrative activities, social culture manifests itself as administrative culture. Note that administrative culture is not simply a branch of social culture. Administrative culture is the form assumed by social culture in the realm of administration and is directly related to social administrative activities. First, a culture is a complex entity, including public attitudes toward the administrative system as well as its feelings, beliefs, and values about it and traditional administrative practices and conventions. Specifically, this complex entity includes administrative consciousness, administrative concepts, administrative psychology, administrative thought, administrative ethics, administrative principles, administrative traditions, administrative customs, and administrative ideals. Second, administrative culture is formed through actual administrative activities on the basis of social culture. Generally speaking, different social cultures foster different administrative systems. And the operations of different administrative systems form different administrative cultures.

Administration is influenced by many factors. Apart from the political system and administrative system, the influence of administrative culture is almost all pervasive at all times. Compared to the political system and administrative system, administrative culture is an invisible force. It works imperceptibly and powerfully. Different administrative activities demonstrate how administrative cultures differ from one another. Different administrative cultures give rise to different administrative activities. By virtue of their different attitudes and feelings about world and national history as well as their personalities, individual historical figures like Hitler, Winston Churchill, Franklin D. Roosevelt, Stalin, Mao Zedong, and Zhou Enlai have left a deep imprint on historical progress. As Graham Wells said, "Political drive is not merely the rational deduction of

the calculation of means and ends, but is also a tendency of the thoughts and experience of human beings, although this tendency is influenced by the revision of human thoughts and experience. If we take a look at the actions resulting from these drives in politics, such as emotion, fear, ridicule, and a desire for property, we will notice this phenomenon." (*Personality in Politics*, p. 2) A survey was done recently on the attitudes of the permanent higher civil service of three democracies—Britain, Italy, and West Germany. It was found that British administrative officials accepted pluralistic competitive politics and considered it their responsibility to execute the policies of the majority party created by the formal electoral process. In Italy, administrative officials were much less patient. They believed party politics are damaging to the public interest and regarded themselves as better able to define the public interest. The administrative officials of West Germany are somewhere in between; young German officials seem to be more ready to submit their performance to democratic and political control. This and similar studies show that government bureaucracies have different cultures because of historical differences, because the civil servants come from different backgrounds with varying administrative psychologies, attitudes, ideals, and philosophies, and because government bureaucracies differ in efficiency.

The effects of administrative culture on administration can be summarized as the following three aspects:

First, the effects on administrative policy. The effects of administrative culture on administrative policymaking are direct and all-round. Not only does it help determine the quantity, content, and intensity of policies, but it also influences the form in which policy demands enter the administrative system. The process of policymaking as well as the form and content of policies all bear a deep imprint of the administrative culture because of the profound and far-reaching influence of administrative culture on administrative decisionmakers and organizations. Values are an indispensable base for administrative decisionmakers when they make choices and decisions. Numerous values are involved in administrative decisionmaking, such as objectives, efficiency considerations, morals, and interests. Without exception, these values are conditioned by administrative culture. In essence, they are the externalized or tangible expression of administrative values. The different psychologies resulting from different administrative cultures manifest themselves clearly in policymaking behavior. A person with a high degree of administrative consciousness and clear-cut, unequivocal administrative values would make a prompt and resolute decisionmaker. A person with a set of firmly held administrative beliefs and positive administrative ideals would maintain the steadfastness of policy. A person with scientific administrative ideals and administrative morals would make a resourceful policymaker who considers every issue carefully and is composed and steady, with a knack for innovative policymaking.

Second, effects on administrative system and structure. On the one hand, the formation of administrative culture depends on the administrative system in effect under a specific set of historical conditions. On the other hand, administrative culture itself is modifying or reinforcing the administrative system at all times so that the latter becomes an embodiment of the former. Because they differ in administrative culture, nations and peoples with similar systems will produce different administrative systems and structures, thereby influencing administrative activities most critically. The intensity of administrative consciousness within an administrative organization directly determines whether the administrative structure is open or closed. The orientation of administrative values often directly determines the structure of an administrative organization.

Third, effects on administrative implementation. A situation often found in case studies on the administrative process is the micro-phenomenon, that is, the objectives anticipated in the administrative plan often are not achieved, in whole at least. There is always some gap between administrative intent and administrative results. While the factors affecting administrative execution are numerous, those outside administration, particularly the culture of institutions and individuals who implement the policy, are also critical factors.

The social role of administrative culture in history has been so powerful that it has been described as the "informal administrative organization." It interacts with any given administrative organization. Administrative culture plays its social role through administrative psychology, administrative concepts, administrative consciousness, and administrative conventions. Naturally, it is not a simple, straightforward process but a complicated one that can take a variety of forms, exerting its influence imperceptibly. An invisible force, administrative culture takes shape and works its effect through a specific set of historical, political, and cultural conditions.

B. China's Administrative Culture Analyzed

In analyzing China's administrative culture, we must begin by noting that the most important thing about it is the domestication of Marxism and its preeminent position in the realm of Chinese ideology. Of all Western learning that made its way to the East in recent times, we chose Marxism, which shows that Chinese history and culture, on the one hand, and Marxism, on the other, dovetail with one another. There are two salient features about the choice of theory by the Chinese revolution. First, the role played by the group and the masses. Second, practicality. Both features happen to mesh well with certain characteristics of traditional Chinese culture. Traditional Chinese culture, whose mainstream was Confucianism, has always stressed the group and deemphasized the individual. Marxism openly proclaims itself the weapon of the proletarian revolution. Given this practical characteristic and in view of the victory of the October revolution, it was only natural

that the Chinese people with their practical tradition chose Marxism at a time when they were in the throes of revolution and were desperately searching for a weapon and a solution. The marriage between Marxism and Chinese realities was the domestication of Marxism. This process has been a two-way street. On the one hand, traditional Chinese culture was rejected in favor of Marxism. On the other hand, Marxism was assimilated into and influenced by traditional Chinese culture. Comrade Mao Zedong was a model in the domestication of Marxism. He firmly rejected the various negative elements of traditional Chinese culture, opposed empiricism, dogmatism, and departmentalism repeatedly, and integrated Marxism with what was good in traditional Chinese culture, such as dialectical thought, the view that the whole world is one, the idea of applying knowledge to practical use, and self-reliance to produce Chinese Marxism-Mao Zedong Thought. In addition, he guided the magnificent practice of the Chinese revolution, established China's administrative setup, and built a basic framework for China's administrative culture. Seeking truth from facts, integrating theory with reality, respecting and caring for people, moral self-restraint, serving the people, the mass line, optimizing the administrative organization, and increasing administrative efficiency—all this has become the keynote of China's administrative culture. But the duality of traditional Chinese culture means that there are also many negative elements in the nation's administrative culture.

1. Conservatism and lack of a desire to forge ahead. Traditional culture and the agricultural civilization go hand in hand. The small production mode of agricultural society tied people to the soil, practicing simple reproduction, day after day, year after year. Over time people became satisfied with the status quo and had no desire to improve themselves. There was a craving for stability and a fear of chaos. Innovation and reform were often regarded as the height of disloyalty. Ancestral ways going back centuries were deep-rooted. The influence of traditional culture is such that administrative reform lacks drive and administrative organizations have no built-in modernizing mechanisms. Although the public often approves of reform in general, people do not appreciate the need for reform or have a high level of consciousness. Reform is often suspended or delayed because people have limited tolerance for it. The reform of the old system, in particular, encounters resistance after resistance because it involves a redistribution of interests.

2. Emphasis on authority, not democracy. People are used to worshipping authority and idols blindly and obeying the authorities unconditionally. Arbitrary and dictatorial behavior, patriarchalism, and unscientific decisionmaking are commonplace in administrative activities. Although it has been decided to introduce democracy in the political system, democracy in administrative activities has not been fully realized or advocated.

3. Emphasis on the rule of man, not of law. People are unaccustomed to defending their rights with the law.

This is what they mean when they say that what counts is feelings, not principles. People are used to accepting whoever can save them as the great savior and are not enthusiastic about the law, which can ensure the normal operation of society and protect basic civil rights. Administratively, activities lack effective restraints. At times administrative power even transcends the law. Either there is no law to adhere to, laws are not enforced strictly, or things are not done in accordance with the law. All this happens time and time again.

4. Stress on a hierarchical system, not equality. In its mind the public invariably associates a particular individual with a grade. Whether one is in literary creation, scientific research, or engineering technology, one is always put in some kind of pecking order. It is difficult to weaken such "bureaucratic" thinking. In administrative activities, this translates into strong values of hierarchy and subordination. "The wishes of the people higher up always prevail." "If you are one rank higher, you can ride roughshod over those below." "Always do as one is told. Power is everything." Legal construction and the advancement of democracy are severely impeded.

5. The group reigns supreme and there is no individuality. Administrative organizations are not inflexible or vigorous. Administrative personnel are conservative and rigid in their thinking.

6. Formality is stressed and efficiency is neglected. There is little regard for efficiency, as demonstrated by the following: foot-dragging, the emphasis on formalities, overstaffing, slow decisionmaking. Sometimes the people above may have their policies, but the people below have their countermeasures. This has severely complicated the effort to improve administrative efficiency and the achievement of administrative objectives.

7. Closed, not open. The administrative system is a closed system and administrative activities are shrouded in mystery. Administrative activities are not visible to outsiders, with no active participation by members of society. As a result, there is no effective social supervision.

C. The Development and Improvement of China's Administrative Culture

Traditional Chinese social culture is deeply colored by feudal autocracy. The administrative system and organizations that came into being in this cultural environment cannot but be similarly affected. To this day China's administrative culture still bears traces of such corrupt cultural elements as closeness and dependency. Consequently, administrative efficiency is very low, way below what modernization requires. Moreover, China's administrative culture still has not developed into a clear-cut and relatively stable cultural system. Hence, a major effort must be made to develop administrative culture, create the basic framework for administrative culture, and define its structure and functions. Proceeding from the need to improve administrative management, we should conscientiously introduce new administrative

cultural elements and change our administrative culture, making use of what is already there. Certainly we cannot introduce new cultural elements and change the administrative culture in isolation from the social culture and the existing administrative system. We should work hard in these two broad areas:

First, improve administrative relationships, enhance the internal cohesiveness of administrative organizations, and raise administrative efficiency. Start with the inside of administrative organizations. Improve their interpersonal relationships, morale, sense of cooperation and unity, and sense of honor. This effort can be summed up as creating an "esprit de corps." It includes the following:

1. Intensify administrative unity centered on administrative goals. In other words, guide administrative personnel to develop identical or similar administrative values and attitudes through administrative practices so that there is a shared administrative psychology.
2. Deepen administrative feelings based on a community of interests. Things should be done to enable administrative personnel to satisfy their own interests even as they devote themselves to the interests of society and administrative organizations. This way they would feel emotionally attached to the administrative organization and observe administrative discipline on their own.
3. Cultivate sincere and optimistic administrative feelings. Through good communication, establish open interpersonal relationships. Develop sincere, open, trusting, harmonious, and optimistic administrative feelings. Cultivate a sense of identity among administrative personnel to facilitate joint participation, expression of opinions, companionship, and a sharing of achievements.
4. Follow administrative principles that respect, understand, care for, and trust people. That way, administrative personnel obtain the respect, care, understanding, and trust that they deserve. They would feel a sense of worth about their existence and work and would be more motivated to work hard for society and their administrative organization.

5. Apply a scientific administrative psychology. That is, apply organizational and management psychology to keep administrative personnel motivated at all times and enable them to maintain a healthy state of mind.

Second, improve administrative enthusiasm and raise administrative efficiency. This includes:

1. Adjust the levels of need. Because of changes in administrative values, beliefs, and ideals, administrative personnel need to make different choices. Administrative organizations should pay attention to changes in the level desired by an administrator and take effective measures to satisfy his need to be at a higher level. This is the way to inspire his administrative fervor.

2. Foster innovative creative administrative ideals. Administrative organizations should gradually make administrative personnel internalize organizational ideals as their own ideals. In addition, they should guide them to develop personal ideals consistent with organizational ideals. The need to foster creative and pioneering administrative ideals is particularly acute at present.

3. Correct administrative motivation. Administrative motivation is the internal force behind administrative behavior. It makes the administrator adopt a certain type of administrative behavior. Administrative motivation is often determined by a given type of administrative culture. For instance, in an administrative culture that stresses self-realization, administrative personnel will concentrate their energies on work. The choice mechanism of motivation tends to make an administrator pursue what is favorable and avoid what is undesirable. For instance, in a democratic administrative culture, administrative personnel would choose behavior that strives to establish decentralized administrative machinery and eliminate any behavior that may give rise to administrative organizations with a concentration of power. The strengthening mechanisms of motivation intensify and further behavior. For instance, an administrative culture that stresses collective interests would continuously reinforce the motivation of administrative personnel to sacrifice personal interests in favor of organizational interests if necessary.

4. Raise administrative expectations. Through experiential analogy and logical verification, guide administrative personnel to become more confident about achieving administrative goals, thereby heightening their administrative enthusiasm.

5. Improve administrative attitudes. Administrative culture influences administrative attitudes primarily through cognition and feelings. When formerly utterly inefficient personnel become active participants in all areas of administration, it means that an autocratic administrative cultural environment is moving toward democracy. The development of democratic administration awakens the consciousness of administrative personnel so that instead of regarding themselves as subservient to administrative leadership, they would now take a more rational approach and discharge their responsibilities in a satisfactory and independent manner.

6. Maintain a fair administrative psychology. Administrative personnel are usually inclined toward equality, against discrimination, and against injustice. Administrative organizations must take this characteristic more seriously. Administrative leaders must not assess administrative personnel and determine whether or not they should be promoted based on how close they are related to them or their own personal likes and dislikes. Open and fair competition should be promoted within the framework of a strictly enforced system of personal responsibility and evaluation.

7. Cultivate good administrative practices. By developing and improving our administrative culture, we can release the long-suppressed individuality of administrative personnel, changing them from conservative to innovative. Good administrative habits, such as respect for science and the law, the furthering of democracy, the refusal to worship authority and experience blindly or to follow tradition unthinkingly, and the courage to innovate, should be encouraged.

8. Strengthen the administrative consciousness of democratic participation and the willingness to accept supervision. We must work hard to create administrative mechanisms and a cultural milieu to facilitate participation in decisionmaking and management by all administrative personnel. In thus sharing responsibility and rights, administrative personnel will develop an administrative consciousness and enthusiasm, a source of rising administrative vitality. Moreover, administrative personnel must become more ready to accept supervision and criticism voluntarily and develop the habits of self-examination and self-discipline.

The purpose of the development and change in administrative culture is to replace the experiential, rule-of-man type of administrative culture, which is blind and conservative and pursues narrow material gains, with a scientific administrative culture that reflects universal laws, scientific knowledge, rational feasibility analyses, and systematic verification. Thus, everybody devoted to the administrative modernization of China should work hard to continue the unique features of China's administrative culture while discarding its negative elements. We must make such an effort as we take the road toward administrative modernization.

Nowadays many administrative organizations put forward their own departmental, bureau, or office style, elevating administrative culture to a new high level so that, enveloped by a good administrative climate, administrative personnel would be able to complete administrative tasks in accordance with the requirements of their administrative organizations, at the same time developing good administrative consciousness, concepts, and psychology. It should be said that this is a useful experiment in the development and construction of administrative culture. From the cultural perspective, we can say that a system is superficial culture, visible and tangible up to a point, whereas administrative culture is culture at a deeper level. The reform of superficial culture must be based on and supported by culture at a deeper level, otherwise the reform will be unsustainable, like a tree with no roots. In the current drive to reform the administrative machinery and establish a civil service system, it is particularly worth noting that not only must we set up a corps of public servants who are honest, incorruptible, highly efficient, steady, and full of vitality, but we must also create a new and positive administrative culture. Only thus can we further administrative reform and consolidate the achievements of reform.

NATIONAL AFFAIRS, POLICY

Analysis of 1989 Commodity Price Trends

90CE0078A Beijing *JIAGE LILUN YU SHIJIAN*
[PRICE: THEORY AND PRACTICE] in Chinese No 2,
20 Feb 90 pp 15-19

[Article by Huang Xiaoming (7806 2556 2494): "Perspective of the 1989 Commodity Price Situation"]

[Text] The 1989 commodity price situation in China was intricate and complex. Some circumstances could not possibly have been foreseen, and we may say that, since the reform, this was a year in which a turning-point was reached in market and commodity price changes. An analysis and study of the commodity price situation since the start of that year is therefore of more than usual interest.

I. Characteristics of the Fluctuating Trend in the 1989 Commodity Retail Price Index

There are six conspicuous peculiarities in the fluctuations of the 1989 commodity retail price index:

A. Although it is the year with the largest rise registered by the annual index since the founding of the PRC, the rise is still far below the level anticipated earlier in the year. In 1988, the commodity retail price index rose month after month, and when the upward trend did not diminish in the early parts of 1989, many economic control agencies predicted that the 1989 increase in the general index of commodity retail prices could possibly exceed 22 percent, and be conspicuously higher than in the preceding year. However, as from the second quarter, the commodity price index did not advance along the line that people had predicted. Its upward trend soon slowed down, so that the average annual range of increases was close to that of the preceding year, namely around 18 percent.

B. The rises and declines in the monthly commodity price index were the largest for many years; the differentials were also the largest (see Table 1).

Table 1: Range of Increases in the 1989 Monthly Commodity Price Index

Months	Range of Increases (%)	Months	Range of Increases (%)
January	27.0	July	19.0
February	27.9	August	15.2
March	26.3	September	11.4
April	25.8	October	8.7
May	24.3	November	7.1
June	21.5	December	(7.0)

Annual average (18.0)

Note: Figures in () are predictions, thus also in all following tables.

The February figure of 27.9 percent is the highest increase in the commodity price index for this year and also for any month in recent years. By November, the index increase had declined to 7.1 percent, and if the index for December can maintain the November level, the differential in one year's monthly index would amount to around 21 percentage points, a differential that is larger than ever seen before for many years.

C. The index was greatly influenced by the commodity price changes in the preceding year. Computed on the basis of relevant data, the steep increases in the commodity prices in the latter half of 1988 had a large and extended influence on the general level of the 1989 commodity prices. In the 18 percent increase of the 1989 commodity price index, there is a "tail" of approximately 11 percentage points from the preceding year, which accounts for 61.1 percent of the total range of the index increase, and which makes this year a year with the largest "tail effect" in recent years (see table 2). The proportion of price increases generated in the year itself declined.

Table 2: Range (%) of Increases in Annual Commodity Price Indices

Year	1985	1986	1987	1988	1989
	8.8	6.0	7.3	18.5	(18.0)
1. Percentage points of "tails"	1.4	2.0	1.9	3.0	(11.0)
Proportion (%) of the "tail effects"	15.9	33.3	26.0	16.2	(61.1)
2. Percentage points of self-induced price increases	1.4	1.5	2.4	7.8	(5.0)
Proportion (%) of self-induced price increases	15.0	25.0	32.9	42.2	(27.7)

D. For the first time since 1985, the range of increases in the commodity price index for the rural areas has

exceeded that for the urban areas (see Table 3).

Table 3

	1985	1986	1987	1988	1989
Urban commodity price index increases (%)	12.2	7.0	9.1	21.3	(16.8)
Rural commodity price index increases (%)	7.0	5.0	6.3	17.1	(18.9)

E. For the first time since 1985, the increase in the general index of retail commodity prices was not caused a/nymore by foodstuffs but by industrial products. In 1989, prices for foodstuffs increased about 17 percent,

which had an influence of about 7.9 percent on the average annual commodity price index and accounted for 43.9 percent in the increase of the index, by far less than the proportion in past years (see table 4).

Table 4: Foodstuff Price Indices, Effects on the General Indices

	1985	1986	1987	1988	1989
Range (%) of annual increases in commodity price indices	8.8	6.0	7.3	18.5	(18.0)
Range (%) of increases in foodstuff prices	14.4	7.4	10.1	23.0	(17.0)
Percentage point effect on increases of the general indices	6.7	3.8	4.6	10.7	(7.9)
Proportion (%)	78.4	63.3	65.0	57.8	(43.9)

F. It was a year with the smallest proportion of structural adjustments in prices, since the start of the reform. The 1989 structural adjustments that caused increases in the commodity price index were about 2.5 percentage points and accounted for 13.9 percent of the range of increases in the annual index (see Table 5). To this we have to add four percentage points for structural adjustments that are "tail effects" from the preceding year, the proportion of which is also only 36.1 percent.

Table 5

Year	Annual increases (%) in commodity price indices	Structural adjustments (percentage points)	Proportion (%)
1979	2.0	1.5	75.0
1980	6.0	5.0	83.3
1981	2.4	2.0	83.3
1982	1.9	1.5	78.9
1983	1.5	1.2	80.0
1984	2.8	1.8	64.3
1985	8.8	6.0	68.2
1986	6.0	2.5	41.7
1987	7.3	3.0	41.1
1988	18.5	7.7	41.6
1989	(18.0)	(2.5)	(13.9)

These special characteristics indicate: Although the increase in the 1989 commodity price index is high, the state, in order to control the general level of commodity prices, reduced as far as possible items with structural adjustments in prices, primarily to absorb the effect of the price increases in the preceding year. The effect of the proportion of new price increases on the general index was thereby reduced; it was about seven to eight percentage points. The upward trend in foodstuff prices, and its effect on the general commodity price index, was evidently reduced, so that the level of the basic level of

the standard of living was more or less maintained at the level of the beginning of the year. There was, therefore, little reaction on the part of the people to the commodity price changes in 1989. The overall situation was one of high increases in the general commodity price index, but few repercussions among the general public. Due to an urban bias in the main work of controlling the level of commodity prices, also because in recent years the rural commodity price index had always risen less than the urban index, problems that had thus accumulated gradually began to surface, and as a result the rural commodity price index rose higher than the urban price index. The proportion of price increases generated in the year itself declined, reflecting an increased effectiveness of the state's control of commodity prices.

II. Analysis of Causes for Changes in the 1989 Commodity Price Situation

Occurrence, disappearance, and transformation of all economic phenomena have their specific law-governed and policy-governed causes. What, then, are the causes for the dramatic changes in the 1989 market and commodity price conditions? They are mainly the following three:

A. The structure of consumption in China has passed from a period of radical changes in the last 10 years of reform to an era of stability and a tendency toward stability in the supply-demand relationship in the market. This is the main reason for the change in the commodity price situation. The 10 years of reform have brought about huge changes in the economic life of China. The total amount of national income has increased from the 301 billion yuan of 1978 to 1,177 billion yuan, and the per capita national income has increased from 315 yuan to 1,081 yuan. The average income of a citizen in the urban areas has increased from 316 yuan to 1,119 yuan, and in the rural areas from 134 yuan to 545 yuan. For these reasons, the level of consumption quickly rose, followed by rapid changes in the consumption structure (see table 6 and table 7).

Table 6: Comparison of 1988 and 1978 Main Items of Consumption and Average Consumption Per Person

	1978	1988	Increases (%) 1988 over 1978
Grain (kg)	195.46	249.08	27.4
Edible oil (kg)	1.60	5.94	271.3
Meat: pork, beef, mutton (kg)	8.42	16.50	96.0
Fresh eggs (kg)	1.97	5.81	194.9
Aquatic products (kg)	3.50	5.73	63.7
Sugar (kg)	3.42	6.25	82.7
Alcoholic beverages (kg)	2.57	11.56	349.8
cotton cloth (meter)	8.03	12.17	51.6
Woolen fabric (meter)	0.08	0.29	262.5
Woolen yarn (kg)	0.03	0.14	366.7

Table 7: Comparison of Durable Consumer Goods per 100 Households in Urban Areas in 1988 and 1982

	1982	1988	Increases (%) 1988 over 1982
Electric fans (pcs)	53.17	117.51	121.0
Washing machines (pcs)	16.09	73.42	356.3
Elect. refrigerators (pcs)	0.67	28.07	4,089.6
Color TV sets (pcs)	1.10	43.93	3,893.6
Tape recorders (pcs)	17.99	64.16	256.6
Black-&-white TVs (pcs)	72.21	59.22	-18.0
Bicycles (pcs)	146.65	177.54	21.1
Sewing machines (pcs)	73.60	70.75	-3.9
Watches (pcs)	248.89	294.46	18.3

The data in Tables 6 and 7 may be explained as follows:

1. The average per capita consumption of meat and eggs more than doubled in the last 10 years, but due to changing views on nutrition, demand for meat leveled off. The statistics indicate that there was a declining trend since 1986 in the average per capita consumption of meat in the urban and in the rural areas (see Table 8).

Table 8: Average per Capita Consumption of Meat 1986-1988 in Urban and Rural Areas (kilo)

	1986	1987	1988
Urban areas	18.96	18.85	16.94
Rural areas	11.79	11.65	10.71

It is forecast that the structure of foodstuff consumption in China will for some time to come maintain a certain stability. A comparison of statistics for sales of main foodstuffs during the period January to September of 1989 with the corresponding period of the preceding year shows the following declines: grain 9 percent, edible oil 19.8 percent, pork 9.8 percent, and sugar 18.3 percent.

2. Consumption of textiles increased also very rapidly during these 10 years. Average per capita consumption of cotton cloth exceeded average world levels; high quality woolen material for clothing increased two to three times. Due to restrictions on cotton and sheep's wool as raw materials, consumption could not increase to a large extent. In the consumption of clothing, headgear, and footwear more attention will in future be paid to greater variety in colors and styles. The following figures give the decline in consumption of textiles during the period from January to September of 1989, as compared with the corresponding period of the preceding year: cotton 23.3 percent, synthetic fibers 16.5 percent, woolen material 24.4 percent.

3. Consumption of the usual four items of durable goods—bicycles, sewing machines, watches, and black-and-white TV sets—has reached a state of satiation, as far as household requirements are concerned.

4. The major indicator for the high or low level of household consumption is presently the presence of new electrical household appliances; they have come into use where none existed 10 years ago. The most dramatic increase has mainly occurred, concentratedly, in the last few years. Among the urban population, increases per 100 households have been: for color TV sets from 5.38 in 1984 to 43.93 in 1988, for electric refrigerators from 3.22 in 1984 to 28.07 in 1988. A study of relevant data indicates, in medium and higher level developed countries, after average per capita national income rises above \$1,000, consumption of durable goods steeply increases, and, furthermore, at a faster rate than income, slowing down only at \$2,000, which means that the average per capita national income of \$1,000 is the turning point for the change of the consumption structure of the citizens. In China, where the average per capita national income is presently around \$300, a purchase craze for durable consumer goods was touched off, which can only lead to a premature heating up, or, we may say, a priority concern with consumption. However, this development is not based on a foundation of firm economic strength, so that after experiencing a period of overheated stormy purchases, there is bound to follow a weakening, and after the weakening, relative stability of demand will be restored. Comparing the sale of durable goods during the period from January to September of 1989 with the corresponding period of the preceding year, the declines were: for color TV sets 11.5 percent, for washing machines 40.7 percent, and for electric refrigerators 16.5 percent.

Above analysis indicates that 1989 was a year of transition in China's consumption structure, changing over to a new structure, and also a year that constitutes a turning point toward stability. Because changes in production structure lag behind changes in consumption structure, frictions and collisions between the two structures has resulted in overstocking of many commodities. Increases in the inventories of social commerce up to the end of September of 1989, as compared with the corresponding

period of the preceding year, were: for electric refrigerators 100 percent, for washing machines 51.4 percent, for electric fans 32.3 percent, for TV sets 46.0 percent, for pork 25.5 percent, and for sugar 52.2 percent. Because of the weak demand in the market, there was a trend to effect price reductions, or reductions in disguised form, for many commodities.

B. Great concern on the part of governments at all levels for the stabilization of commodity prices and great efforts exerted by commodity price control departments at all levels were the major reasons for commodity prices to tend toward stability. To control the rise in commodity prices, the State Council issued in 1989 a "Circular Regarding Resolute Stabilization of Commodity Prices in the Market at Spring Festival Time" and a "Circular on Further Effective Work Toward Stabilizing Commodity Prices in the Market After the Spring Festival Period." These circulars prohibited raising prices for all government controlled commodities, unless specially permitted by the State Council, a measure which effectively controlled the effect of newly raised prices on the general index. All localities instituted a system of responsibility for the objectives of commodity price controls, and made this a major indicator for the assessment of achievements of local governments at all levels, they also formulated realistic and feasible measures of implementation. In the last few years, various localities set up "food basket" projects, increasing the effective supply of vegetables, which had a considerable effect on stabilizing vegetable prices, and thereby also the prices for nonstaple foodstuffs. As demanded by the State Council, the state's commodity price control departments at all levels set forth at the beginning of the year the objectives of commodity price work for the whole year, convened special meetings on commodity price checking and control work, so as to do an even more effective job of checking, supervising, and controlling commodity prices throughout the country.

C. The effective implementation of the "doubly tight" policy, namely tightness in public finance and in private financing, is the macro-reason for gaining control of the general level of commodity prices. The problem of the general level of commodity prices is in the final analysis a problem of money and financing. When currency is issued in excessive amounts, any control of commodity prices will remain completely ineffectual. Starting in September of 1989, with the institution of a strict currency and financing policy, the currency issue in 1989 was far below that of 1988. In addition, guaranteeing the value of savings deposits encouraged citizens to deposit money. According to statistics, during the period from January to September of 1989, merchandise-related withdrawals of currency from circulation by banks increased, compared with the corresponding period of the preceding year, by 39.2 billion yuan, i.e. an increase of 7.6 percent. During the same period, withdrawal of credit-related currency amounted to 121.5 billion yuan, i.e. an increase of 39.6 percent, and amounting to 62 percent of the total amount of currency withdrawn from

circulation, which is for many years the first time that withdrawals of credit-related currency exceeded withdrawals of merchandise-related currency. As a consequence, the onslaught of currency on commodity prices was greatly reduced. Financial stringency effectively controlled the purchasing power of social groups [business entities owned by the state or coops]. Retail sales of consumer goods by social groups during the period from January to September of 1989 amounted to 51.16 billion yuan, a growth rate of 21.3 percent, compared with the corresponding period of the preceding year, and constituting a decline of 6.2 percent. The proportion of consumption by social groups in the total amount of retail sales of consumer goods also declined from the 10.5 percent of last year to 9.9 percent. The increases for wages and for other personal expenses declined for the period from January to September of 1989, namely from 27.3 percent during the corresponding period of the preceding year to 19.1 percent. The reduced increase in individual income restricted increases in individual consumption expenditure, and also lightened pressure on commodity prices. At the same time, the rise in the commodity price index continuously slowed down, prices for basic articles for daily use stabilized. This changed the psychological apprehensions of the people and diminished their desire for purchases.

III. New Understanding Regarding the Special Tax on Color TV Sets

The special consumption tax levied in the first half of 1989 on color TV sets (400 yuan for 37 cm sets, 600 yuan on 47 cm and larger sets) and contributions to the fund for the promotion of domestic production (100 yuan for 37 cm sets, 300 yuan for 47 cm and larger sets) caused a large decline in the sale of color TV sets and caused large stocks to accumulate in warehouses, thus did not achieve the objective of appropriately regulating supply and demand and of increasing state revenue. Some have argued that raising prices depressed demand. I believe that the main reason is that the consumption structure has become stabilized and that the demand has slackened for high-class durable consumer goods, such as color TV sets. At this juncture, there was the additional adverse effect of the price element, and the market reaction is very obvious. If this measure had been taken two years ago, just at the time of rapid increase in demand and strong buyer interest, the price regulation could have had a certain effectiveness, and sales would not have been greatly disturbed. (At that time sales prices for color TV sets were close to what they are now after imposing tax and fund contributions.) This state revenue would not have led to erosion or constituted another onslaught on market and commodity prices. Therefore, when launching any price policy, catching the right time is decisive for success or failure of the policy in question.

Analysis of the price policy for color TV sets also draws our attention to the fact that the price policy of a country must definitely be suited to the consumption of the country in question and correspond to its consumption structure. In times of violent changes in the consumption

structure, the policy on consumer goods prices will frequently lag behind and present obstacles to the rational adjustment of consumer goods prices. When consumption structure tends to become stabilized, we can take advantage of this opportunity for a study of the country's consumption structure and tendency for a certain time in the future, and on this basis formulate an appropriate policy for consumer goods prices, then gradually adjust consumer goods prices and establish a rational system of consumer goods prices.

IV. Changes in the 1989 Commodity Price Situation in Their Effects on the 1990 Commodity Price Situation

The control of commodity prices in 1989 has been a remarkable achievements, which is obvious to all. However, the 1989 commodity price situation may be the cause of certain difficulties for the 1990 commodity price index.

A. The 1989 commodity price changes clearly reduce any "tail effects" for 1990. Since the price increases in 1989 were small, and furthermore concentrated in the first quarter, reaction to the price increases has already essentially taken place this year. According to computations, the "tail effect" had been about 2-3 percentage points. In this respect, the effect on the 1990 commodity price index has indeed been reduced, but there are many more price increase factors in 1990, and people will be deeply affected by these price increases.

B. Because of reduced purchases of durable consumer goods, some purchasing power will be deflected to general consumer goods, and the relative increase in demand in this area will, as a consequence, exercise pressure for price increases.

C. Particularly low prices for vegetables this year may have an adverse effect on vegetable production next year, and a reaction may set in in vegetable prices and in the price index, and may even induce price rises in nonstaple foodstuffs.

D. The practice of stabilizing commodity prices by means of increasing subsidies cannot possibly be continued. It is estimated that public finance has subsidized commodity prices by over 40 billion yuan, which amounts to 14-15 percent of all financial revenue, thereby already reaching the utmost limit. As financial revenue is presently increasing very little and red figures loom large, it will be very difficult to increase commodity price subsidies.

Influenced by all the above-mentioned factors, pressure for price increases in 1990 will concentrate on general merchandise, especially on the prices for daily necessities. If no forceful controls are instituted, there will be particularly large increases in the prices for basic articles for daily use, in very large contrast to the 1989 situation. For this reason, stabilization of all 1990 prices for the daily necessities of the people is a formidable task, as it will also be the focal point for commodity price work in 1990.

CPSU Organ Evaluates Economic, Political Reforms

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[24 Apr 90 p 3]

[Text] 1. Unity and Stability—Conditions of Success

After the memorable and stormy political events and the changes of personnel in the upper echelons of government, which seemed to reach their culminating point at the end of the 16-day NPC [National People's Congress] session in the beginning of April, the economy was once again the main concern of the people in Beijing and one of the leading topics in the capital press.

In the mornings, when hundreds of thousands of workers are racing to work on their bicycles, they see posters inscribed in huge characters: "We Have Restored Order and We Will Recover Our Losses." Toward evening, when the sun breaks through the frequent fogs and freezing rains of this spring, there are lively discussions in the lanes and squares, where men have traditionally gathered to play cards or checkers, of the guidelines the parliamentarians approved for the further development of "gaige"—the Chinese equivalent of our perestroika.

To put it concisely, in the next 10 years the gross national product is to be doubled once again, and the people are to be guaranteed a "comfortable standard of living." In conversations with journalist colleagues, I have often heard that ever since the days of the Celestial Empire, there has been the assumption that a wise ruler is one who is guided by the knowledge that "his subjects must have full stomachs." With this in mind, people in the PRC feel, with good reason, that the positive development of the situation in the country and the prospects for achieving the political-ideological objectives set by the new leadership will depend above all on successes in the economic sphere, especially with regard to food supplies.

There is no reason, however, to expect an easy victory. It is no coincidence that statements by the top party and government leaders of the country in recent months have suggested that the Chinese will have to "tighten their belts" for several years. And when can they "loosen" them? No one has announced any specific date, but there is the conviction that the "days of comfort" cannot even be anticipated unless there is an atmosphere of unity and stability throughout the country.

Of course, if we were to blame all of today's disparities in Chinese society on the events of last June, we would be confusing the cause with the effect. We are more likely to agree with a statement in *RENMIN RIBAO*: "We must honestly and openly admit that the events in Tiananmen Square seriously compounded our problems. As a result

of the reckless behavior of those who wanted to take advantage of temporary economic difficulties in the PRC to achieve their own political goals, problems arose in the economy."

The problems do not consist solely in the fact that cuts in the production of export goods caused the national economy to lose \$100 million a day during the time of crisis, and not solely in the fact that many Western companies, especially U.S. ones, are still waiting to see what might happen next before agreeing to sign previously negotiated contracts on joint ventures and on the extension of credit to the PRC. It seems to me that the main problem is that the extremist outbursts weakened the position of the advocates of further radical reform.

The results of the recent NPC session suggest this. Although the NPC resolutions reaffirmed the commitment to the policy of reform and outside accessibility, they clearly testified to the reassessment of the inner content of this declared policy line. The once commonly used phrase about the "socialist planned commercial (market) economy" is gradually turning into the "planned economy with market regulation" in official documents and articles in the press. Statements by the country's leaders put the emphasis on stronger levers of state regulation and the reinforcement of the kind of economic and administrative structures capable of conducting centralized policy effectively. In addition, the economy has been called "the main battlefield on which the visible struggle against bourgeois-liberalist ideals will be fought," primarily "economic privatization," "political pluralism," and "bourgeois liberalization"....

The wind blows scraps of newspaper and bits of fluff from flowering trees in surrounding parks through Tiananmen Square. "How could all of this have happened?"—I wonder as I walk along the warm asphalt in the square. After all, for a long time, a very long time, we thought of China as a country striding confidently down the level road of reform. The entire world was literally fascinated, and primarily by the fact that in 10 years of development along the "gaige" road, a country with a population of 1.1 billion had been able to solve its food problems. The "boom" in local industry changed the appearance of the Chinese economy. It moved its centers from the heavy industry, which had been the traditional leader, in the northeast and in big cities to the southeast, to previously insignificant communities along the coast, where light industry enterprises sprang up like mushrooms after the rain. As a result of their activity, the earlier "seller's market," where supply did not correspond to demand, turned into a "buyer's market," where the supply exceeds the demand and where a customer who has not been too spoiled can forget what a "shortage" is. Since 1981 the PRC had been known as the most rapidly developing country in the world, with economic growth rates—about 11 percent a year on the average—two or three times as high as in the industrial Western nations. China moved up from ninth to seventh place in the world in terms of GNP. Its share of world trade

doubled, and in cost terms it increased by 500 percent during a period when world trade as a whole increased by only 90 percent.

What did this mean to the "average statistical" Chinese? The real income of peasants almost tripled and that of the urban population almost doubled, and this was primarily a result of the move to a market-oriented economic model, which released the social energy of the people. They still cannot be called rich and they do not even dream of exchanging their bicycles for cars, but 10 million Chinese acquired tape recorders and 24 million bought television sets just last year. Ten years ago only 80 million people in the whole country could watch television, but now the figure is eight times as high.

The rising demand, backed up by material potential, and the rise in general cultural standards under the conditions of democratization led to what people in Beijing refer to today with the meaningful term "jiefang sixiang"—the emancipation of the mind. This is why modern copies of Western fashions have taken the place of the high-collared and tightly buttoned navy-blue field jacket, and this is why the Chinese do not have to look around to see if anyone is watching when they talk to foreigners and when they speak frankly with them about recently taboo subjects.

In spite of the tremendous successes, however, serious difficulties have also accumulated in the PRC. Without denying anything I said at the beginning of this article, I will repeat, along with RENMIN RIBAO, that "although China has managed to double its gross national product in the last 10 years, the country still occupies one of the last places in the world in terms of per capita GNP." Unless population growth can be controlled—and this is something that neither economic nor disciplinary levers have accomplished to date—the annual increase in goods and services will be unavoidably nullified by the demographic factor. Although the Chinese have been able to attain the seemingly unattainable in the last 10 years—to increase the yield of grain by almost 100 million tons—even official data indicate that more than 40 million people are living on the verge of starvation. In spite of the triumphant campaigns of the period of the Great Leap Forward, one out of every five inhabitants of the PRC is still illiterate. In view of all this, the Chinese leaders still categorize the PRC as a developing country, warning that "only maximum effort can bring China up to the level of a midway-developed country by the end of this century."

[25 Apr 90 p 3]

[Text] 2. Resolution of Problems Worrying the People

"As many unsolved problems as successes"—this is how Chinese experts described the state of the PRC economy this spring.

The most disturbing problems are the continuously rising prices, which are "eating up" most of the average annual increase in wages, now amounting to 160 yuan.

What will this money buy? In an effort to find the answer, I took a walk through the gigantic bazaar forming the nucleus of present-day Urumqi. This capital of the Xinjiang-Uygur Autonomous Region, which occupies almost one-fifth of all China, grew up around the bazaar. A kilogram of mutton costs 12 yuan there, cabbage costs 3, and rice costs 5. A modest lunch in the market "snack bar" costs 10 yuan, and a person who wants to save up enough money for a bicycle—which is certainly not a luxury, but simply a means of transportation in China—has to deny himself everything but the vital necessities for half a year.

According to official data, the cost of 90 percent of the 2,000 items used to compile the retail price index has risen in recent years. It is this rise in prices, according to many people, that was the "economic detonator" of last year's social explosion. At that time the cost of many goods, especially those going into the "vegetable basket"—the basis of the Chinese diet—rose by 18-20 percent in a single month. With a view to the political dangers of this situation, the authorities did everything within their power to stop this tendency. As a result, the rise in prices last year was 12-13 percent.

The "overheating" of the economy has been cited as the main cause of the rising cost of living in China. When the managers of industrial and trade enterprises and the millions of local businessmen and members of rural cooperatives achieved autonomy, they planned a whole series of projects requiring bank credit. By increasing the amount of money in circulation, banks could extend unlimited credit, and this gave rise to a flurry of purchases of construction materials, semimanufactured goods, and raw materials for the food industry. The economy was not prepared for this rapid rise in demand, however, and this naturally caused prices to rise. This was accompanied by higher rates of inflation, which reached 50 percent, setting a 40-year record, just before the events in Tiananmen Square.

"The people in the party and government who had been abusing their official status and were guilty of corruption raced to take advantage of this situation," I was told by Deputy Chairman Gan Ziyu of the PRC State Planning Commission, "and this aroused the anger of the masses. The public was also outraged by the unfair distribution of the resources created in recent years by the freeing of private initiative. There are some individuals with an extremely high income and there are the masses, the people who work hard but earn little. In addition to flourishing regions, there are other parts of China which have been officially declared poor districts. There are whole branches which are experiencing 'overcooling' even in the 'overheated' PRC economy: metallurgy, the chemical industry, power engineering, and transportation."

The development of all of these negative tendencies, compounded by the economic losses of those days last June, forced the Chinese leadership to rely once again on the levers of the centralized economy. The control of

inflation is usually cited as the main positive result of their use, but what price did China have to pay for this? The struggle against the problems caused by spontaneous market factors with the methods of state planning and the attempt to "link" administrative levers with economic ones for the purpose of compelling the "overheated" economy to slow down have been accomplished by reducing capital construction by half, restricting the development of local industry, and using only half the capacities of large enterprises. According to a report in the FINANCIAL TIMES, for example, the stringent economic policy has already stopped production three times at the Volkswagen plant in Shanghai. The assembly line of the Peugeot firm near Guangzhou came to a halt, and the joint venture in Beijing with the American Motor Corporation reduced its output of Cherokee Jeeps. More than 18,000 industrial and construction projects have been "frozen" in the country. The Chinese press is not concealing the fact that the "cooling" of the economy in this way is reducing the real income and purchasing power of the population.

"When we decided to eliminate the unpredictable economic developments which provoked the events of 1989, we should have wondered whether we were also creating the causes of a new outburst," RENMIN RIBAO remarked with concern. "Of course, no one must ever resort to unlawful behavior to strengthen legality and order, but we should remember that economic recovery is impossible in an atmosphere of uncertainty, political confusion, and instability. If our political unity and cohesion are undermined, we could see a revival of the 'Cultural Revolution' which brought the Chinese people countless deprivations and suffering. We must admit that some errors made it impossible to disclose all of the advantages of socialism in the PRC. If China should choose to take the capitalist road, however, it will become a vassal of the developed Western nations. We must always remember that socialism has a powerful life force because it is not a stiff model, but an organism capable of self-development and self-improvement. Only the socialist order can secure the development of China. The resolute defense of socialism is inseparable from the resolute defense of the leadership of the Communist Party. Without the leadership of the CPC, the stability of government and the unity of the people cannot be secured in our country. Without a stable political environment and unity, we cannot build an economically strong China. The problems facing the country can only be solved in a stable society."

This article, which was written with a view to the policy statements of Chinese leaders, evoked a lively response in the country. It was read by several people at once, all crowded around the person holding the newspaper. People copied down the main statements, argued, and reach agreements right on the street, right at the newsstand. There were many different opinions, but most people agreed that political modernization was clearly lagging behind economic modernization in China. Communists, who are expected to make a personal contribution to the socialist recovery of the country and the

reinforcement and improvement of the party's leading role, have an important part to play in this process, which was called the "perestroika of the political system" a year ago by the general secretary of the CPC Central Committee, Jiang Zemin.

It raised the issue point-blank: "Our people, who lived through the '10 years of chaos,' were fully aware of the economic and cultural underdevelopment of the country and therefore had high hopes for the CPC's announced reforms in the PRC and the policy of accessibility to the outside world.... The alarming signs of the degradation of some party personnel, and especially of some leaders, however, led to a situation in which the people began to mistrust the party and the government," RENMIN RIBAO remarked. "If the party and government cannot rectify the situation within their own ranks quickly, the people's mistrust could rise to the surface again."

What is being done to implement these recommendations, which certainly did not appear on the pages of the central organ of the CPC Central Committee by accident? Priority has been assigned to "the serious ideological and organizational regulation of the entire party," "the cultivation of patriotism and loyalty to the party cause in the masses," and the restructuring of academic curricula to produce "ideologically red and professionally competent" individuals. This is being accompanied by the continued implementation of the joint government and party central committee resolution "On the Completion of the Seven Great Tasks as Quickly as Possible" adopted last fall.

These are genuinely great tasks. Their completion could solve the problems worrying the people, who have had to tighten their own belts and are therefore all the more angry about the comfortable life their powerful "public servants" are living.

The first task—which has acquired the dimensions of a nationwide campaign against the "guandao," the corrupt leaders—is the implementation of the principle of the equality of all citizens under the law.

The decision of the PRC State Council to confiscate several magnificent buildings in Beijing and other cities, intended to house ministries and other official establishments, is seen as a step toward the completion of the "great tasks."

By embarking on this self-cleansing process, the CPC is setting an example for the entire country, pointing the way toward recovery and toward the restoration of socioeconomic order.

Price Researchers Discuss Price Management, Reform

90CE0076A Beijing JIAGE LILUN YU SHIJIAN
[PRICE: THEORY AND PRACTICE] in Chinese No 2,
20 Feb 90 pp 42-44

[Summary of the proceedings of the first annual meeting of the Society of Middle-Aged and Young Price

Researchers of the State Commodity Prices General Administration: "Contribute Plans and Policies to the Efforts To Bring the Economy Under Better Control and To Advance Reform"]

[Text] The first annual meeting of the Society of Middle-Aged and Young Price Researchers of the State Commodity Prices General Administration convened 20 December 1989. More than 40 members of the society attended the meeting, at which Cheng Zhiping [2052 5268 1627], director of the administration; Ma Kai [7456 0418], deputy director; and Hu Bangding [5170 6721 1353], adviser, delivered important speeches, and which was also attended by Geng Ji [1649 0679] and Yang Lianguang [2799 6647 1639], deputy secretaries general of the Chinese Price Society, as well as leading comrades from a number of companies, offices, and research institutes.

Director Cheng Zhiping applauded the accomplishments of the society since its establishment, noting the facts that the great practicality, seasonality, and reformism of the society have attracted a corps of imaginative and enterprising middle-aged and young price cadres and that the society has accomplished much through its organized exploration of the various problems encountered in price management and reform.

Comrade Cheng identified eight problem areas in price research during retrenchment: 1) The relationship between price-level control and price restructuring, 2) the relationship between the efforts to establish a new price order and to advance reform, 3) the relationship between the efforts to strengthen control and to perfect the legal system, 4) the relationship between the effort to rationalize and reorder prices and the need to stabilize popular sentiment, 5) the relationship between long-range planning and near-term reform, 6) the relationship between price reform and other economic restructuring, 7) the relationship between centralized control and delegation of authority to lower levels, and 8) the relationship between the effort to carry out reform and the training of cadres.

Deputy Director Ma Kai systematically discussed four guiding principles that price reform should follow during retrenchment: 1) Controlling price levels. It was very correct to make gradual reduction of inflation the number-one policy objective of retrenchment. The price index is a composite economic indicator, a general reflection of the national economy, and an important basis on which to formulate other economic targets. The level of the price index affects plans to issue money, for interest and foreign-exchange rates, and for income growth. Price problems are fundamental political issues, and we must make controlling price levels the chief task of price work. 2) Restructuring prices. This is both a science and an art. The science lies in the fact that readjustment of price relationships must have some economic basis; the art is in timing, methodology, and sequencing. 3) Establishing a new price order. If prices are too chaotic, new programs may well founder amidst

wildly rising prices. Establishing a new order for prices is a retrenchment measure that requires little investment and effort, yet it is very productive. 4) Strengthening price control. For some time to come, we must appropriately recentralize authority to control prices and carefully summarize experience in decentralization of authority and of control over profits during the past several years, retrieve what should be retrieved, and delegate what should be relinquished. In the process, we must be firm yet prudent.

In his speech, Comrade Hu Bangding called on the society to use its good start as a basis and play a better role in inducing price cadres to integrate theory and practice.

From start to finish, the meeting was very lively. Many comrades expressed their views on issues relating to price reform during retrenchment, especially in 1990. The following is a summary of those views.

Analysis of Price Conditions

Participants earnestly summarized current price conditions and unanimously agreed that the weakening market and steady decline in the price index are due to the retrenchment program's macroeconomic controls curbing demand and to popular expectations. The current price situation still falls far short of the goals of retrenchment and does not allow excessive optimism. Conditions are very grim this year, and the following factors threaten price stability: 1) While restraining demand, the retrenchment of 1989 also severely undermined effective social supply, and the tremendous surplus of purchasing power amassed in the past still poses a powerful threat to the economy. 2) The year 1990 marks the beginning of the domestic debt repayment hump, and foreign debt servicing will greatly increase during the year, so the state cannot pay out as many price subsidies as it did in 1989. 3) Since the beginning of 1989, the rural market retail sales price index has exceeded its urban counterpart, reflecting the weakness of price control on rural markets, a fact that will make it difficult to control prices in 1990 and thereafter. 4) Urgent price problems will drive prices even higher. 5) The bumper harvest of vegetables and the oversupply of some produce made [these] prices low in 1989, which development may well dampen peasant incentive to grow vegetables. 6) Stoppage or slowing of production by some enterprises, rising unemployment, and other social problems also require resolution. While noting the unfavorable factors, we should also recognize that many factors are conducive to price stabilization. 1) It is estimated that some price readjustment programs have yet to exhaust their effectiveness and still can function to control inflation. 2) Macroeconomic control continues to work. 3) The good harvest of 1989 has laid a good foundation for the national economy. 4) New price readjustment measures exert a delayed impact on price levels, and the measures to be introduced in the latter half of this year will not have too big of an effect at that time. 5) The 1989 spillover on the 1990 price index has

been slight. 6) Consumption patterns are stabilizing, and the impact of the conflict between changing consumption and restructuring of production on price levels is abating. We should fully recognize unfavorable factors but also note the favorable ones, be confident, press forward despite difficulty, and advance price reform.

The Relationship Between Retrenchment and Price Reform

Participants expressed the view that the ultimate objectives of both retrenchment and price reform are the same: Both programs seek to promote long-term, sustained, stable, and balanced economic growth. The programs are contradictory in one respect but also consistent in another. The principal objective of retrenchment is to control price rises and gradually to reduce expansion of the money supply, whereas price reform necessarily sparks some price rise. Nevertheless, retrenchment lays the groundwork for price reform, which then advances from a new starting point, and many of the programs' components coincide. For example, the efforts to establish a new price order and to strengthen control over prices are important elements of both programs. Advancement of price reform provides an important guarantee that the objectives of retrenchment will be achieved. During the initial phase of retrenchment, we focused on administrative control so as to check skyrocketing prices. During the middle phase, our principal focus was on controlling demand, on reducing the gap between aggregate demand and supply, and on slowing inflation. The final phase involves restructuring the economy, which is the focus and most difficult part of the retrenchment program and will require much time to achieve. The principal component of this phase is price restructuring, for rationalization of the price mix will stimulate development of sectors whose products are in short supply, restructure production and the economy, and ultimately extinguish inflation. Participants agreed that retrenchment has entered the third phase and that we should take advantage of the current market slump to restructure prices and escape from the vicious circle of spiraling inflation.

Concrete Problems Involved in the Effort To Advance Price Reform

Participants discussed the following issues:

1. The basic premise of the effort to advance reform. Some comrades argued that price reform is closely related to conditions in the overall economy and, especially important, is causally interrelated with the state budget, such that price reform is conditioned by the budget situation and also can help reduce our serious budget deficit. Given the central government's large deficit and the fact that China faces a debt repayment hump, the effort to advance price reform should focus on centralization of financial resources and reduction of central budgetary difficulties. Most comrades disagreed with this view, arguing that the stalling of price reform and the price surge in recent years have exacerbated

price distortion and chaos. a) Among different commodities, the prices of decontrolled goods have climbed faster, while controlled prices have risen less. b) Due to double-track pricing, prices for a good produced within the state plan are low while those for the same good produced outside of the plan are high. c) The readjustment of price relationships has caused prices to spiral. Thus, the problems of low prices for agricultural produce procured through responsibility contracts, for energy sources produced within the state plan, and for major raw materials have by no means been resolved, which fact severely impedes normal economic functioning and development. Hence, the principal objectives of the effort to advance price reform should be to rationalize prices and to promote balanced economic development.

2. How to rationalize price relations? Under socialist planned commodity economy, the prices of some commodities are set spontaneously by the marketplace, while the prices of other goods are set consciously, through planning and in accordance with the law of value. For the latter goods, the problem of how to structure price relations arises. Discussion revealed the following views: a) Under socialist planned commodity economy, the basis for pricing is no longer direct value, which was the case under simple commodity economy, but value as it fluctuates. b) A rational system of price relations should be set primarily in accordance with product cost ratios and may turn out to be the empirical price system that arises through balanced economic development. c) We must take into full account the effect of profits and taxes on price relationships.

3. Approaches to reform during 1990 and retrenchment. a) Focus on ameliorating our fiscal difficulties, on reducing the budget deficit, and, in the near term, on resolving problems associated with structural irrationality so as to reduce the central government's financial burden. For example, railroad freight fees, foreign-exchange rate readjustment, and curtailing sale of parity-priced grain. b) Some comrades argued that we should follow the principle of systems price control and, at the general level, balance volume, optimize mix, and establish a price control system. This means attacking the areas of production, circulation, and consumption and advancing price reform across the board. For industrial production, we should use value as the basis, set the price of the representative product—coal—first and then set the price-parity coefficients for other products. The prices of energy sources and major raw materials may be set directly according to these coefficients, while the prices of processed goods should be regulated according to the float-price coefficient, which is the parity-price coefficient minus the average advanced assimilation coefficient for each industry. For agricultural production, we may use the ratios of net income per working day as the basis for setting and adjusting the prices of various produce and restructure the price mix therefor. For circulation, we must create a new order, strengthen control over the unified national market, and control purchase-sale price differentials. For consumption, we

must, in step with price readjustment, set up a regulatory fund system for daily necessities. c) Other comrades argued that we should rationalize prices by focusing on the establishment of a new price order and on eliminating double-tracking. The coal price situation is primarily a problem of too much chaos, profiteering, and serious exploitation by middlemen. Shanxi coal, whose ex-factory price is 30 yuan a ton, goes for as much as 200 yuan by the time it reaches Shanghai. The situation is so bad that mines producing for central distribution are losing money, whereas users face excessive cost burdens. While shaking up circulation, we may raise the prices for centrally distributed coal and merge double-track prices into one. Crude oil and its products form a highly monopolistic industry that does not suffer from reform-result unpredictability stemming from the complexity of ownership plaguing other sectors and shows fairly good profits on average. The principal problem here is that earnings are distributed unequally across the industry. While striving to balance the budget, the state should increase prices for crude. As for raw materials, we should take advantage of the market slump for means of production and eliminate double-track pricing for selected goods. d) And some comrades argued that price reform should focus on resolving the problem of low prices for grain, which seriously dampens peasant enthusiasm for growing and selling grain. If we wish to extricate agriculture from stagnation, we urgently need to hike contract-procured grain prices.

4. As for strengthening price management, the major suggestions were to improve coordination among different agencies and within price departments and prevent dispersion of policymaking authority, which makes it impossible for localities to know what to follow; disseminate the practice of using price-control systems engineering and target responsibility management; establish a unified, national system of price regulation and control, and make price management scientific; and accelerate price legislation so as to provide price management with a legal basis.

Reform Conference Targets Circulation Sector

90OH0460A Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA ECONOMIC STRUCTURE
REFORM] in Chinese No 2, 23 Feb 90 p 31

[Article in "Special Column on the National Conference on Reform of the Economic System": "We Absolutely Must Make the Circulation Sector Work"]

[Text] The circulation sector absolutely must be made to work. If the circulation sector does not work, then neither do the enterprises nor the economy. On the principle of linking a planned economy with market regulation, and in light of the new circumstances and new problems which have appeared in the present circulation sector, some new policies and measures were put forth.

This was urged by the National Conference on Reform of the Economic System, which was held recently.

The delegates stated that the market has slumped since the second half of last year, with inhibited circulation and sluggish business appearing in many places. This has affected the development of production, and caused some industries and enterprises to vigorously stockpile goods and materials. This in turn has caused further shortages in an already short money supply, and has even caused a small number of enterprises to either cut back on their operations or go out of business altogether. The delegates analyzed the situation, seeking the reasons for it, and came up with the following conclusions:

When capital is in short supply, there are correspondingly high interest rates on borrowing. The delegate from Yunnan stated that commercial departments in that province had gross interest rates of only 9 to 10 percent, while the interest rates on borrowing were as high as 12 percent. If some commodities had been stockpiled in warehouses for more than a month, the businesses would be operating at a loss, so the commercial departments were reluctant to accept goods as payment. He went on to say that Yunnan now has its largest overstock of fertilizer in history, the supply and marketing cooperatives are now in a deficit, and money is in short supply, so the peasants are also reluctant to buy fertilizer in advance. The fertilizer coming from the plants cannot be stockpiled, so without warehouses or money, there is nothing else to do but go out of business. He further stated that in Yunnan's "three-seven" bumper harvest of last year, medicinal materials companies lacked money for purchases: what had formerly cost 300 or 400 yuan per kilogram would now only bring 30 or 40 yuan. In order to avoid dampening the enthusiasms of the peasants, the province was preparing to extend special credit for purchases. He believes that there will have to be favorable interest rates on loans for special commodities and some commodities which have to be stockpiled, if it is to be of use in commercial departments starting up "storage pools."

There still are barriers to the circulation of commodities between city and countryside. A delegate from Hubei reported that the Wuhan Commercial Department organized "big boxcars" in the countryside, and expanded the market, with the prices of goods lower than those of supply and marketing cooperative there. This was welcomed by the peasants. However, due to the cooperatives' price for replenishing stock tending to be high, the "big boxcars" in the countryside affected their purchases, so they were still looking for a way to resist. Besides, the local tax departments disapproved because they were not receiving the taxes.

Circulation channels have decreased. The delegates recognized that in control and rectification, it is still of the utmost importance to handle well the relationship between the principal channel and the multiple channels. What should be cut down are the multilayer, multi-linkage channels, but not the multiple channels, leaving only the principal channel with no branches. The delegate from Hubei said that last year the cooperative was unable to buy any of Hubei's bumper crop of citrus fruit,

and what other things they were able to buy was considerably less than in years past. The price at the producing area being only 3 or 4 jiao per jin, the peasants are very worried about this. Afterwards, the government interacted with the mayor of Shanghai, found a market, and carried out an emergency organization of its multi-lateral strength, going through many channels for shipment to Shanghai. The Yunnan delegate stated that while it is correct to rectify circulation in localities and companies, it cannot be done with "one cut of the knife," making across the board cuts by the one-third principle. This would be the wrong thing to do. Yunnan originally had a small number of companies, so again lopping off one third of these would certainly affect normal circulation.

The influence of noneconomic factors. The delegate from Hebei said that while there are economic factors behind the current market slump and the poor market for goods, there are noneconomic factors at work as well. For example, salespeople are unwilling to go out and push sales, for fear of being suspected of giving or taking bribes. The delegate from Guizhou said that although state regulations now permit enterprises to extend funds to plant managers for the purpose of entertaining customers, many plant managers dare not take advantage of it, for fear of it being misunderstood when there is an audit. They know that a flexible environment should be created for enterprises; we cannot demand that enterprises adhere to governmental departments' ethical standards, nor can we confuse normal business contacts with bribery.

Unbalanced Enterprise Distribution Impedes Reform

90CE0098A Beijing JINGJI CANKAO in Chinese
3 Apr 90 p 4

[Article by Yang Xiongsheng (2799 7160 0524): "Improper Enterprise Distribution Must Be Speedily Remedied"]

[Text] The current issues that have surfaced in enterprise distribution are very conspicuous and have become a key factor in preventing reforms from being developed in depth.

Distribution Is Unfair

The issues that existed in enterprises before the contract management responsibility system went into effect, such as the lack of proper vitality, the inadequate attention that was paid to linking assets to economic efficiency, inaccurate business accounting, and improper management, have become even more critical in some enterprises since, because corresponding management improvements have not been made. Enterprises with good economic efficiency are generally doing everything possible to achieve better consumption efficiency and cost-sharing, and paying too little attention to sales and hidden profits, while those that are poorly managed are

not hesitating to practice fraud, report false profits unscrupulously, and even claim profits when they have actually incurred losses.

Contract Bases Are Inaccurate, and Distribution Is Out of Proportion

A lack of experience has resulted in most contract bases being set inaccurately. The contracting principles of "setting contract bases too rigidly and making enterprises guarantee contracted payments to the state, allowing them to keep most of their beyond-contract income, and making them responsible for making up shortfalls on their own" have prevented an increase in state revenue that corresponds to the increase in enterprise profits, raised the amount of profits kept by enterprises year after year, clearly allowed enterprises to distribute and use their steadily increasing financial resources irrationally, and been the financial basis for unchecked enterprise development, and especially the too rapid increase in consumer funds, since the contract management responsibility system went into effect.

The Distribution Structure Is Out of Order

Although basic wages should be the major source of income for staff members and workers, this concept has become seriously divorced from reality. Surveys show that bonuses, subsidies, and wages paid in kind account for most of the income distributed by enterprises to their staff members and workers, which has put the distribution structure out of order.

These issues have added a certain amount of fuel to the flames of the situation in the PRC of too much investment and consumption, and obstructed to a certain extent the growth of our national economy, our development of a solid financial foundation, and our current efforts to deepen reforms. Since we must make a conscientious effort to resolve the issue of improper enterprise distribution during the period of improving the economic environment and rectifying the economic order, I recommend that we try the following remedies:

The method of collecting bonus taxes and regulatory taxes on wages, that makes the unit the taxpayer, should be abolished, and a regulatory tax system in which the unit finance department deducts and pays personal income taxes for staff members and workers, which makes them the taxpayers, should be put into effect, in order to stop the practice of "having money to issue bonuses, but none to pay taxes." Furthermore, taxes should be regulated by law, tax collection regulations should be improved, control over the auditing and collection of taxes should be enhanced, and enterprise tax collection limits should be tightened.

The system of listing enterprise business expenses as, and paying them out of, costs should be changed to having them paid out of retained profit funds, accounted independently, and audited regularly.

The system of all trades in all industries issuing bonuses and subsidies under a multitude of different names and administrative divisions should be sorted out and abolished, a unified policy on bonuses and subsidies should be put into effect, differences in trades and types of work should be reflected in official wage differences, suitably different official (basic) wages should be paid for different types of work, the out-of-order income structure for staff members and workers should be changed, and basic wages should be made the major source of income for staff members and workers, in order to restore the original purpose of bonuses and subsidies and allow them to play their proper role as incentives and regulators. Enterprises that link payrolls to efficiency may not raise wages until their efficiency is checked and audited by finance, tax collection, auditing, and responsible work departments.

The contract management responsibility system should be further improved in the following ways: 1) contract bases should be set both according to vertical ratios, and also horizontal ratios within trades; 2) bonuses or fines will not be paid until they are audited when contracts are in force; 3) economic responsibility must be strictly audited when contracts expire; 4) most of the extra income from efficiency improvements that are achieved through "price rises" or "improper management" during contract periods, will be taken over and redistributed through state finance channels, in order to spur enterprise managers to devote most of their efforts to improving their internal management and striving to tap their inherent latent potentials; 5) contract bases must be adjusted to adapt to the macroeconomic climate and policy changes that affect enterprise efficiency; 6) contract management contracts must include long-range enterprise management targets, and the continuity of management targets must be maintained in all stages of contract management contracts, in order to induce enterprises to direct their attention toward emphasizing accumulation, developing production, and enhancing their stamina; 7) the concerned macroeconomic management and supervision departments must better manage and supervise contracting enterprises, in order to eliminate the tendency to substitute contracting for better management.

Practices whose disadvantages outweigh their advantages, such as "deducting percentages from fines that are paid to the state for discipline violations" and "returning fines and confiscated property to those who do the fining and confiscating," of certain macroeconomic supervision departments, such as industrial-commercial, pricing, auditing, and tax collection, must be eliminated, so that supervisory functions are exercised in a detached manner, and the necessary expenses of these departments should be paid through centralized finance channels.

Economic Information Official Discusses Market Slump*90CE0166A Hong Kong WEN WEI PO in Chinese
16 Apr 90 p 4*

[Article by He Ping (6320 1627): "When Will the Market Slump Move Out of the Valley; Interview With Huang Qifan, Director of the Shanghai Municipal Economic Information Center"]

[Text] The Two Viewpoints Are Lopsided and Harmful

Since the middle of last year, China's economic situation, especially the problem of the market slump, has elicited the general concern of society. What is the current state of China's market slump? Huang Qifan [7806 1142 1581], director of the Shanghai Municipal Economic Information Center, has some independent opinions on this.

When interviewed by a reporter for this paper, Mr. Huang pointed out that two current views on the market slump are lopsided and harmful. One view holds that China has accumulated excess purchasing power (including deposits, bonds and cash in the hands of residents) of 700 billion yuan. In general, overall demand is much higher than overall supply. The appearance of "a fierce tiger," a run on the banks, and a blow to the market should be prevented. This view easily makes people overlook the seriousness of the market slump problem. The other view holds that the market slump is entirely due to the entrenchment measures of putting things in order and readjustment. This view easily makes people doubt the future and positive significance of putting things in order and readjustment.

Overall Purchasing Power Is Not Strong

He holds that in analyzing overall demand of social consumption, the volume and shock of latent purchasing power should be taken into consideration. The latent volume of purchasing power of the deposits currently belonging to China's urban and rural residents is nearly 700 billion yuan. It is unrealistic to think that China's purchasing power is very strong as a result. This is because 700 billion yuan in deposits is only a little over 600 yuan per capita. Chinese people advocate supplementing plenty with frugality so this 700 billion yuan in latent purchasing power cannot be turned into actual purchasing power. Thus China's overall purchasing power is not very strong. In analyzing the latent shock of this purchasing power, Mr. Huang divides the nearly 700 billion yuan in residents' deposits nationwide into three levels. The first level is that of the wealthy households who make up a few per thousand nationwide. The average deposit is several tens of thousands to several hundred thousands, or about one quarter of the total of residents' deposits. These people already have the usual consumer goods and they are concerned primarily with maintaining or increasing the value of their capital; that is, how to invest to earn more money. They are not

concerned with maintaining the value of ordinary commercial goods, thus they will not create a shock to the market for commercial goods due to unstable prices.

Peasant households, which make up the majority of China's population, are the second level. Their per capita savings are about several hundred yuan, with the total amount about 200 billion yuan. The standard of living and relative purchasing power of this level are low. The consumption environment is poor: they live in remote areas where communications are poor so they generally cannot constitute a consumption shock to the market. The third level is made up of employees of state-run, collective, and township enterprises and employees of state agencies and institutional units. They number about 300 million and their average deposits are between 500 and 1,000 yuan, with a total of roughly 300-400 billion. The members of this salaried level fall short of the upper level, but they have more than the lower level, live in the city, and are better informed. However, the effect they can have on the merchandise market is estimated to be between 15 and 20 percent and cannot become real purchasing power overnight. Clearly of the 700 billion in deposits nationwide, the real purchasing power that can impact the market directly is only 50-70 billion yuan. Saying that 700 billion yuan will become "a fierce tiger coming down the mountain" and that there will be a run on the banks is bluff and bluster.

Cannot Be Blamed on Retrenchment Policies

Mr. Huang thinks that the market slump that has appeared since last year cannot be attributed entirely to the entrenchment measures of putting things in order and readjustment. Another cause of the market slump, apart from retrenchment policies, is the "cyclical nature" of the consumption market. His analysis shows that although the income level of China's residents falls into the three levels described above, the income level of the several hundred million people within one level is roughly the same, resembling a "flat rectangle" [bian juxing 2078 4251 1748]. This income structure will lead to "wave" characteristics in China's consumption market. A wave comes and, even with an increase in productive forces, supply cannot meet demand. When one level's consumption wave has passed, another level's consumption wave cannot catch up for a time, so a market slump occurs in the interval. This leads to the cyclical nature of the consumption market. For example, two waves occurred in the market for durable household electrical consumer goods in the eighties. The first was 1980-1983 when consumers were primarily some wealthy households. The second was 1985-1988 when consumers were employees of state-run, collective and township enterprises. Since most of China's rural areas still lack regular electric service and a modernized communication environment, the peasants do not have the conditions for general consumption of domestic electrical appliances. Therefore the next wave will be a little slower.

In talking about the current trend of the market slump, Mr. Huang said that by March, 1990, the market for consumer goods had bottomed out. In the second quarter it will begin to rise again, but the process will be slow and there will be no major changes in the short term. It is worth noting that the market for means of production will change from supply not meeting demand in 1988 and supply meeting demand in 1989 to supply being greater than demand this year. The slump in the market for means of production will become the major problem of this year's market slump. This trend also will affect the normal production of electromechanical, chemical industry, and metallurgical raw materials and means of production production bases and enterprises.

A Series of Responses Have Already Been Adopted

When I asked about responses to the current market slump, Mr. Huang said that the Central Committee and the State Council have adopted a series of measures and have carried out readjustment and suitably relaxed relevant policy elements that affect the market. In the past few months a series of policies have emerged. These include suitably relaxing banking, increasing loans, lowering interest rates, readjusting foreign exchange rates and suitably relaxing controls on collective's purchasing power and they will stimulate a rise in market consumption. The government plans approved by this NPC defined controlling fixed assets investment volume as adding together the volume of materials, volume of work, and the total amount of money invested after deducting pricing factors. This showed that the high-level leadership had already noted that fixed assets investment plays a role in expanding effective demand and supply and in curbing the market slump.

Focusing on the characteristic "wave" and "cyclical" nature of China's consumption market, Mr. Huang thinks that they should readjust industrial structure, and develop different grades, especially different classes of new goods, to fill in the gaps between the consumption "waves." In encouraging consumption to a moderate degree, they should encourage consumers of the wealthy class, who have substantial deposits, to purchase private automobiles. At the same time they should vigorously develop the automobile industry and invest in urban streets and traffic facilities. Gradually encouraging urban residents to purchase commodity housing [shangpin fang 0794 0756 2075], he stressed that the present market slump is an excellent opportunity for promoting reform measures in the housing system.

Mr. Huang estimates that a new consumption wave will appear in China after 1992. There should be preparations for this now. By all means they cannot forget that another "wave" will come along after an interval because there is a "valley" now. He said that last year Shanghai ranked the "yongxin [3057 2450] color picture tube" project as their number one project. This year they also ranked the "sheet metal" project as their number one project and insisted on getting under way. In a situation

where color television and refrigerator sales are in a slump, making these two policy decisions was far-sighted.

Theoretical Issues in Economic Structural Reform

90CE0060A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese No 2,
11 Feb 90 pp 3-6

[Article by Liu Guoguang (0491 09480342)]

[Text]

I

The practice of socialist economic construction and economic reform in China in the last decade is closely related to the development of economic theory. A major flaw of traditional socialist economic theory, which prevailed in China for several decades before reform, was that it simply studied the relations of production, while overlooking the conflicts between productive forces on the one hand, and the relations of production on the other. The study of relations of production in isolation from productive forces led to the rise of "willpower determinism" and "the theory of the natural economy." "Willpower determinism" manifests itself as an undue emphasis on changing the relations of production continuously so as to speed up the transition to a unified system of ownership by the whole people and to communism. It also manifests itself as an undue emphasis on subjective elements like "putting politics in command" and ideological consciousness, while ignoring the role of the material technological base and the principle of material interests in economic development. The so-called "theory of the natural economy" sees the socialist economy as essentially a noncommodity economy, a self-sufficient economy characterized by in-kind distribution. China's pre-reform economy essentially was crafted under the influence of the "willpower determinism" school mentioned above in accordance with our interpretation of the socialist "natural economy." Hence these characteristics: lack of variety in ownership system, in-kind economic operations, centralized economic management, egalitarian distribution of income, and external isolation.

Since the Third Plenary Session of the 11th CPC Central Committee in 1978 put forward the mission of economic structural reform, the Chinese economic community has gradually unfettered itself from the ideological shackles of "willpower determinism" and, in light of the practice of reform, re-examined the traditional socialist economic theory. The most basic achievement of this reexamination is correcting, one step at a time, the traditional thesis that the socialist economy is a noncommodity economy, affirming the socialist economy as a commodity economy, and recognizing that China today is still in the initial stage of socialism where the level of productive forces remains quite low and the commodity economy underdeveloped. Out of this rethinking of socialism has emerged the "theory of the socialist commodity economy" and "the theory of the

Progress in these important theoretical issues all revolves around the general topic of the reexamination of the socialist economy and will hopefully provide a theoretical base for the choice of an economic reform model for China. Meanwhile, particularly since 1984, research on economic reform theory has reached a higher level. Not only are people interested in what should be reformed and what model to follow, but are also paying close attention to the regularity of reform itself and theoretical questions relating to the choice of a reform strategy. Those questions include the economic environment for reform, conflicts between the old and new systems, the relationship between material incentives and the transformation of mechanisms, the relationship between economic reform and economic development, and the issue of which should come first: price reform or ownership reform. Headway has been made in research on all these theoretical issues relating to the choice of reform objectives and reform strategy. As economic construction and reform continue to gather steam, these issues will be further explored.

II

Around the time that we marked the tenth anniversary of reform and the open policy, the Chinese economy entered a new period of adjustment. This change concerned some people at home and abroad. In particular, after the wave of turmoil and disturbances between spring and summer this year was quelled, the emphasis in economic work shifted to improving the economic environment and rectifying the economic order. This led some people to believe that after 4 June, China would concentrate even more on the four cardinal principles and discontinue its emphasis on reform and the open policy. Others even think that the drive to improve the economic environment and rectify the economic order signifies that China is retreating from reform and the open policy, returns to isolation, and would not learn from the West. Since these perceptions clearly arise from an ignorance of what happened in China, it is imperative that we respond to them factually.

1. The drive to improve the economic environment and rectify the economic order did not date from the political turmoil this year but began back in the fall of last year. The drive was not prompted directly by political considerations. Nor did it suggest that in launching economic reform and the open policy, China had taken a wrong turn. The fact of the matter is that even as economic reform and development enjoyed remarkable success in the past decade, a number of problems had appeared in economic life, the result of moving too fast in both economic reform and development. Among the major problems are an imbalance in total supply and demand, dislocations in the industrial structure, severe inflation, and chaos on the market. In the summer of last year, there were runs on banks and panic purchasing, severely hampering economic reform and the smooth progress of economic development. For instance, price reform and wage reform were originally scheduled to be unveiled in the summer of last year, but as prices skyrocketed and

the market became chaotic, there was no alternative but to put them on hold. It was precisely with this kind of situation in mind that the Third Plenary Session of the 13th CPC Central Committee decided in September 1988 to improve the economic environment and rectify the economic order, with the idea of creating a more orderly and favorable economic environment for the continued smooth conduct of economic reform and development. Over a year later, the effort to restore economic order has begun to pay off as expected. The overheated industrial sector is slowly cooling down and excessive price increases have begun moderating. Nevertheless, the imbalance in total volume and structural dislocations, problems accumulated over the past several years, cannot be overcome overnight. These problems have been joined by new ones that cropped up in the course of economic rectification. The Fifth Plenary Session of the 11th CPC Central Committee held recently adopted the policy of further rectifying the economic order and intensifying reform. It called for the completion of the drive to improve the economic environment and rectify the economic order within three years, including this year, and perhaps even a little longer so that the nation would be better able to go on with reform and the open policy and the economy would develop in a sustained, steady, and coordinated manner. Thus both the proposal and the implementation of the policy of improving the economic environment and rectifying the economic order are guided by the overarching principle of adhering to reform and the open policy. In no way does it deviate from that overarching principle.

2. The implementation of the policy of improving the economic environment and rectifying the economic order itself must be coordinated with reform. In the past few years we went too far in delegating power to enterprises; in particular to local governments, allowing them to keep profits and taxes, to the grave detriment of the macroeconomic regulation and control capabilities of the central government. In response to this and similar circumstances, it was proposed recently that there be somewhat more centralization and more planning in the period of economic rectification. Central control over erstwhile fragmented financial and material resources should again be tightened as appropriate, and administrative regulation and control methods should be used more extensively for the time being. All this is necessary, otherwise speedy retrenchment and adjustment would be impossible. However, administrative methods alone cannot rectify the economy. For instance, price control through government financial subsidies is too burdensome on the national treasury and will create new price distortions. Obviously this approach cannot be maintained for an extended period of time. Even in the period of economic rectification, therefore, economic methods must be used to the greatest extent possible. We must think of measures to further reform, measures that will gradually bring about indirect regulation and control so that planning and the market would be even better integrated organically and the Chinese economy would

grow in a sustained, steady, and coordinated way. In the past decade of reform, much work was done in the area of delegating power to local governments and enterprises and allowing them to keep more profits and taxes in order to fire their initiative. However, such moves have not been accompanied by a corresponding strengthening of microeconomic self-restraining mechanisms and macroeconomic regulating and control mechanisms. In this failure can be found the structural roots of the recent bout of inflation and chaos. Sustained, steady, and coordinated economic development requires us to work hard to avoid adopting the wrong development strategy or economic policy. This can be done by correcting our guiding thought in the course of improving the economic environment and rectifying the economic order. But even more fundamental, we must exert ourselves to overcome the weaknesses in the economic mechanisms themselves and improve them. It follows that the improvement of the economic order and the intensification of reform must go hand in hand. This is not an empty slogan. It is what sustained, steady, and coordinated economic development badly needs by virtue of its very nature. Certainly, extensive reform remains inappropriate during the period of economic rectification. During this period, what reform there is should be carried out primarily to satisfy the needs of economic rectification. After the mission of economic rectification is largely accomplished, reform can proceed at a faster pace.

In the preceding paragraphs I explained that the improvement of the economic environment and the rectification of the economic order, on the one hand, and the intensification of reform, on the other, are neither diametrically opposed to each other nor mutually exclusive. Instead they are complementary and advance each other. This is also true for the relationship between economic rectification and the open policy. It is not hard to see that economic rectification and reform and the open policy are economically compatible. Some people, however, are skeptical about their ideological compatibility. They argue that now that China is emphasizing the four cardinal principles anew, it is retreating from the policy of reform and openness. Once again, abiding by the four cardinal principles is made out to be antithetical to reform and the open policy. If you are for reform and the open policy, it seems, you could not abide by the four cardinal principles. In accordance with this point of view, reform need not follow the four cardinal principles and can go capitalist. One may repudiate public ownership and introduce private ownership. One may even abandon planned state guidance over the economy and introduce a full-fledged market economy. These viewpoints and proposals, totally unworkable in China, constitute a complete misunderstanding of the policy of reform and the open policy put forward by the CPC. The reform and openness propounded by the CPC since the Third Plenary Session of the 11th CPC Central Committee in 1978 is reform and openness that adheres to the four cardinal principles and represents a self-improvement of the socialist system. In the first part of

this article, I discussed the research on a number of theoretical issues relating to economic reform in China. The research was done precisely to meet the demand of the self-improvement of socialism. It combines the insistence on the socialist direction with reform and openness organically and makes the insistence on socialism prevail in the reform of the ownership system, operating mechanisms, and the relationships between the macroeconomy and microeconomy and between planning and the market. Only thus can we improve the socialist system continuously and expedite reform.

Improvement Urged in Capital Investment Structure

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GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 2, 23 Feb 90 pp 36-39

[Article by Liao Wenfang (1675 2429 2455) and Zhou Ganbing (0719 2413 2430) of the State Commission for Restructuring of Economic System's Macroeconomic Department: "Readjust and Improve the Structure of Fixed Asset Investment"]

[Text] Among the serious problems China's economy is faced with are the improper industrial structure, the relatively backward agricultural sector, and the scarcity of energy, means of communication, and raw material. There are many causes to these problems, the most important of which is the poor fixed asset investment structure. It is crucial that we recognize the problem, analyze the causes, and find ways to deal with the poor investment structure if we want to promote sustained, steady, and smooth economic development in China.

Some Characteristics of the Changing Investment Structure and the Main Problems Since the Sixth 5-year Plan

Since the Sixth 5-year Plan, as the restructuring of the economic system gets underway, the scope of fixed asset investment has continued to expand. We have started many new construction, extension, and alteration projects, and our national strength has been greatly boosted. Meanwhile, the fixed asset investment structure has undergone dramatic changes, which can be characterized as "six decreases and six increases." These changes have had a positive effect on China's economic development, but they have also brought problems.

1. Investment in the energy, communications, mining, and raw material industries has decreased proportional to the increase in investment in the processing industry. Investment in the energy industry fell from 14.8 percent during the Sixth 5-year Plan to 12.82 percent in 1988; investment in the mining industry fell from 12.67 percent to 7.11 percent; communications, transportation, and post and telecommunications fell from 8.39 percent to 7.02 percent; investments in the raw materials industry as a percentage of society's total investment also decreased, but investment in the processing industry increased from 7.57 percent during the Sixth 5-year Plan

to 8.81 percent in 1988. This change in the investment structure is one of the main reasons why the development of China's infrastructure falls behind her economic development, why the development of her basic industry lags behind the processing industry, and why there are shortages everywhere. It is estimated that, due to the power shortage, about one-quarter of the production facilities are under-utilized, which has cost us hundreds of billion yuan in industrial output value. Constrained by the sectors which are experiencing shortages, about one-third of the processing industry's production capacity is under-utilized, resulting in tremendous wastes.

2. Agricultural investment has been decreasing year after year as nonagricultural investment increases. Of the total fixed asset investment by units in the ownership by the whole people system in 1988, only 2.23 percent was in agriculture, almost three percent less than in 1981. Of the total fixed asset investment by units in the town and country collective ownership system, the decline in agricultural investment was even steeper: agricultural investment in 1981 accounted for 29.5 percent, but fell to 8.6 percent by 1987. Rural individual fixed asset investments are mainly in housing; the share of nonhousing investment has also fallen sharply. Investment in aid-agriculture industries has also decreased. During the Fifth 5-year Plan, investment in the aid-agriculture industries accounted for 4.58 percent of all capital construction investments; it fell to 1.03 percent during the Sixth 5-year Plan. The tendency for investments to lean toward the non-agricultural sector not only has not improved agricultural production conditions but has made things worse in some cases. In 1988, the effective irrigated area was 666 million mu, 8.84 million mu less than in 1978. In the spring of 1989, the supply of chemical fertilizers fell short by 17 percent, pesticides by 21.6 percent, and plastic sheeting by 30 percent. The failure to improve agricultural production conditions is one of the main reasons why agricultural production has stalled in recent years.

3. Productive investments have decreased proportionally as nonproductive investments increase. During the Fifth 5-year Plan, nonproductive investments accounted for 26.1 percent of all capital construction investments; they soared to 42.6 percent during the Sixth 5-year Plan and dropped back to 35.4 percent during the first three years of the Seventh 5-year Plan, which is still nine percentage points higher than during the Fifth 5-year Plan. Nonproductive investments have been increasing, partly because of the housing deficit during the Sixth 5-year Plan but mostly because of the rash of public building, hall, center, and institution constructions in recent years, and not only that, but there are tougher standards to be met each year.

4. Investment in the central and western regions has decreased proportional to the increase in investment in the eastern region. As a percentage of society's total fixed asset investment, investment in the central and western regions fell from 42.42 percent in 1982 to 37.5 percent in

1988 while investment in the eastern region rose from 50.65 percent to 59.24 percent during the same period. The concentration of fixed asset investments in the east gives expression to the strategy of allowing certain regions to get rich first and plays an important role in accelerating China's economic development. But the eastern region is poor in mineral resources, and this kind of bias does not expedite the exploitation of energy resources and raw materials.

5. Investment by units in the ownership by the whole people system has decreased proportional to the increase in investment by units under other ownership systems. As a percentage of society's fixed asset investment, investment by units in the ownership by the whole people system decreased steadily from 81.9 percent in 1980 to 61.44 percent in 1988 as investment by units under other ownership systems continued to increase. This is the inevitable result of the restructuring of the ownership system and is an important measure in promoting China's economic development. But collective and individual investments, especially rural collective investments, have been increasing without the benefit of proper macroeconomic guidance and have resulted in the reckless and accelerated development of township enterprises. Between 1978 and 1988, township enterprises' total output value increased by 12.2 folds while their profit tax increased from 11.1 billion yuan to 89.1 billion yuan, which raised the state's tax revenue from 2.2 billion yuan to 31 billion yuan, 13.1 times more. Township enterprises are vigorous contributors to the state, but their structure is not balanced and the processing industry has over-expanded: In 1988, 86 percent of the rural industries were processing industries, and they inevitably competed with the state-run industries for raw material, energy resources, and market, and resources were wasted as a result. According to data compiled by relevant departments, rural industries consumed more than 10 million tons of raw iron as well as steel in 1988. Compared to 1984, cotton production has decreased by around 1.2 million tons but township enterprises' cotton spindle production has increased by 3.12 million units in 1988. Overall, township enterprises' unconventional growth has made the country's poor economic structure even worse.

6. Investment in large- and medium-sized capital construction projects has decreased proportionally to the increase in investment in small projects. As a percentage of society's total fixed asset investment, investment in large- and medium-sized capital construction projects topped 23.71 percent in 1980 but dropped to 13.73 percent in 1985. It rebounded during the 1986-1988 period but remained below the average rate during the Sixth 5-year Plan. The increase in investment in small projects is the result of economic diversification and the devolution of power and yielding of profit to the lower levels. In 1988, of all industrial enterprises and units at above village-level, 490,000 were small enterprises and production units, 31.5 percent more than in 1980, and compared to 1980, the small industrial enterprises' total

output has increased by 1.1-fold. Small enterprises promote rural economic development and help industrial production adjust to market changes faster, but they are not very efficient. According to data supplied by relevant departments, if we compare enterprises with industrial output value of 100,000-200,000 yuan a year to those worth 100 million yuan, the profit tax to fixed fund ratio is 11.9 percent lower, the profit tax to output value ratio is 13 percent lower, and the per capita profit tax is 7,669 yuan less. More small projects will lower the overall economic efficiency.

Major Causes of the Poor Investment Structure

Many factors contribute to the deteriorating investment structure in recent years. It is due partly to poor judgement, partly to the less than perfect system, and partly because some factors overlap and interact with one another. As far as the system is concerned, there are the following eight elements:

The price system is unreasonable: If we look at the price ratio between industrial and agricultural products, we will notice the permanent price scissors. In 1979, agricultural product prices were raised substantially and the price scissors between industrial and agricultural products narrowed, but they have widened again since 1983. Comparing 1988 to 1983, each 100 kilos of grain fetched 25 percent less manufactured cotton cloth, 32 percent less soap, and 36 percent less detergent. Since 1984, prices changes not only have failed to improve the peasants' lot, they are worse off. If we look at the industrial goods, energy and raw material prices are too low. These industries' profit tax to investment ratios are much lower than that of the processing industry. Consider the 1988 profit tax to investment ratios of the following budgeted industrial enterprises: Coal industry, -2 percent; petroleum, 4.7 percent; power industry, 15.9 percent. On the other hand, the tobacco industry's ratio was 218.2 percent and light industry, textile industry, pharmaceutical industry, petrochemical industry, automobile industry, and chemical industry showed 24 to 37 percent. In recent years, peasants, enterprises, and local governments have become increasingly sensitive to price signals. This inevitably causes the investment structure to lean heavily toward the non-agricultural sector and the processing industry, exacerbating the distorted industrial structure.

There is inadequate guidance for the behavior of the principal investors: In the wake of reform and devolution of power and yielding of profit to the lower levels, many new fund gathering channels and different kinds of investors have appeared in the investment sector. In recent years, national income as a percentage of the state's financial resources and the central government's financial resources as a percentage of the whole state's financial resources have been shrinking, and therefore the state's budgeted investment as a percentage of society's total investment has plummeted. The state's direct regulatory and control role in the fixed asset investment realm is dwindling. Meanwhile, extra-budgetary funds

have been increasing rapidly, topping 236.1 billion yuan in 1988, 5.8 times more than the 34.7 billion yuan in 1978; they amounted to 94.8 percent of the state's budgeted income for the year. As a result, investment funds raised by enterprises themselves or through bank loans are accounting for a growing share of society's fixed asset investments. Because of the absence of a proper restraining mechanism to regulate the investors' behavior, there is nothing to link rights, responsibilities, and profit together, which causes the investment structure to further deteriorate.

Too much of the power to examine and approve investments has been handed down to the lower levels: Since 1984, from the central authorities to the provinces, prefectures, cities, counties, and even villages, each has had its share of power to examine and approve investment projects. Such power mixes with the financial, employment, and rapid growth pressure the local governments are faced with, and, guided by the improper price system in the market, it has resulted in a rash of profitable but often redundant small-scale projects in many localities. Today, there are 147 washing machine manufacturing plants in China, and only 14 of them have achieved minimum economies of scale (producing 200,000 units a year).

The budget management system is inadequate: The practice of "eating out of separate pots" in public finance and the local government contracted financial responsibility system to some extent are catalysts that hasten the deterioration of the investment structure. Anxious to solve their own financial problems and driven by the profit to be gained in higher retention percentages, local governments at all levels race to invest in the processing industry, stake out their own turf, and fight over the scarce resources, thus exacerbating the conflicts between the processing and basic industries and between the established [production] bases and the raw material-producing regions. In 1988, Hebei, Shandong, Jiangsu, Henan, and Hubei produced 1.6 million-plus tons less cotton than in 1984, but they produced nearly 6 million more cotton spindle, which hampered the transfer of cotton to other regions.

The regulatory role of taxation as an economic lever is not maximized: In recent years, more and more localities have overstepped their power to grant tax reductions and exemptions; tax evasion and tax fraud are also widespread. The state's tax lever has weakened. Relevant departments have estimated that, in the case of construction tax alone, only one-third of the taxes due are collected; one-third are lost to local government exemptions; one-third are lost to tax evasion and fraud.

As a result of the banks' inadequate loan management system, huge sums of loan funds have been diverted to extra-plan and extra-budgetary projects, exacerbating the improper investment structure.

The specialized banks are also doing trust and investment business: In recent years, many specialized banks

have set up their own trust and investment companies. These companies grant fixed asset investment loans and are funding as much as 44 percent of the processing industry and assorted public building, hall, center, institution, and other nonproductive construction projects.

The consumption supply and demand is unbalanced and the structure is unreasonable: Between 1982 and 1988 consumption demand has increased by 1.68-fold while the supply of consumer goods has increased by only 1.48-fold. More and more unsatisfied purchasing power has accumulated in the hands of the urban population. In recent years, the demand for electrical and electronic household goods and appliances has surged. The profit tax to investment ratios of these two industries are very high: In 1988, they were 34.8 percent and 33.2 percent, respectively, and were 10.6 to 12.2 percentage points higher than the industrial average. As a result, these industries have been growing very rapidly. This not only puts the squeeze on funds for energy resources and raw materials but also increases the demand for energy and raw materials.

How To Readjust and Improve the Investment Structure

The above-described eight factors which contribute to the imbalanced investment structure can be summed up as two problems: 1) It is wrong to let the market regulate and allocate a substantial portion of society's resources so long as the market system remains unsound, the price relations remain tangled, and the economic units have no self-restraining mechanisms. On the other hand, the state does not have the economic strength to improve this situation for the sake of the whole country. 2) In recent years the pace of restructuring of the macroeconomic management system has been slow, the macroeconomic regulation and control system and the management system have been less than perfect, and the state's available economic levers have been weakened—some have even been counterproductive. Therefore, to improve the investment structure, besides taking the necessary administrative measures to sort out the construction projects already in progress and cancel some projects to suit the industrial policy, we should also do the following: 1) Proceed to smooth out the price relations if possible while we try to augment the state's real strength to adjust the investment structure directly and enhance its planning and regulatory role. 2) We should enhance the ability of taxation and credit as economic levers to adjust the investment structure. Specifically, we can consider the following 11 measures:

We should increase the central government's macroeconomic regulatory and control capacity: Primarily, we should increase the state's budgeted investment as a percentage of society's total fixed asset investment and let direct regulation through planning play a bigger role in society's fixed asset investment activities. Perhaps we can consider increasing the state's share to 15 percent within three years. This will definitely help ease the shortage of funds for key construction projects. To do so, we must increase the share of public revenue as a

percentage of the national income and increase the central government's revenue as a percentage of the state's total income, further improve the capital construction fund system, and increase funding for key construction projects year after year. We should promulgate laws or rules and regulations to make sure that these measures are carried out.

We should revise the investment project examination and approval procedure: At present, the State Planning Commission generally has restored the power to examine and approve projects to the higher levels. Meanwhile, we can consider improving the way the project proposal and the designs are evaluated. First, the power handed down to the villages, counties, and districts to examine and approve certain projects should be taken back and given to the provinces, autonomous prefectures, and municipalities only; meanwhile, enterprises should have more freedom to make decisions regarding renovation and upgrading. Second, we should further improve the industrial policy and formulate new policies on economies of scale and regional industrial policies. Besides worrying about the changing supply-demand relations in the market in the near-term, we should also think about the medium- to long-term strategic development and try to be more specific and quantitative. Third, we should delineate the power to examine and approve fixed asset investment projects and specify the projects category by category according to the industrial policy. The banks should prioritize their loans and decide whether they should or should not lend money and how much they should lend to finance fixed asset investments. We should decide on a public finance discount policy and how much to discount and how to allocate and utilize foreign exchange.

We should introduce a differential investment tax: The scope of the existing construction tax is too narrow and the difference between the rates is too small, so that it is impossible to give expression to the differences among trades and industries and difficult to control the investment scope and steer the investment direction. We can consider replacing the construction tax with a differential investment tax system which covers a broader scope and which gives expression to the principle of reward and censure. The differential investment tax should not distinguish between budgeted and extra-budget projects or whether they are production-oriented or not; everything should be taxed according to the industrial policy.

We should implement a two-level allocation system and a two-level regulation and control system—central versus the provincial, prefectural, and municipal levels. Henceforth, power, coal, and raw materials needed by new investment projects funded by the central government should be supplied by the central government and those funded by the local governments should be supplied at the local level.

We should increase investment in agriculture and aid-agriculture industries. Not only the central government's capital construction funds but a substantial portion of

the provincial, city, and county reserve funds should be invested in agriculture and aid-agriculture industries. It should be clear that the peasants should play the key role in increasing agricultural investment. We should try every proper method to attract the peasants' funds to this area.

We should perfect the tax system and permit after-tax debt payment only. Putting the state-run enterprise, collective enterprise, and private enterprise income tax systems under a uniform system will correct the present situation where different kinds of enterprises have different income tax burdens, a setup that tends to protect the backward enterprises. To thwart the growth of township enterprises, especially some processing industries, we can consider rescinding the one-year tax exemption, a preferential treatment extended to new township enterprises. We should enforce the state's provisions to tighten tax reduction and exemption.

We should restructure the present financial contract responsibility system. Primarily, we should implement the classified tax contract system and make a gradual transition to the classified tax system.

The specialized banks' government policy-mandated loans and commercial loans should be managed separately. We should set up a biased credit loan mechanism.

We should further consolidate and rectify the trust and investment companies and separate the banks' credit business from their trust business.

We should gradually raise the price of products which are in short supply. Within the next three to five years, we should strive to raise the profit to investment ratio of industries producing goods in short supply to a level equal to or higher than the average profit rate of other industries.

We should actively promote the reform of the housing system, the social security system, and facilitate and guide the improvement of the investment structure.

PROVINCIAL

Tax Collection Meets Difficulties in Fujian

*HK2605035490 Fuzhou Fujian Provincial Service
in Mandarin 1000 GMT 24 May 90*

[Excerpts] At a provincial tax work conference today, provincial vice governor Chen Mingyi pointed out that the whole society should attach great importance to and understand tax work and try to fulfill this year's tax work.

After affirming last year's tax work successes and analyzing this year's tax work situation, Chen noted that since the beginning of the year the sluggish market, a serious fund shortages, overstocked products, and the suspension or partial suspension of production in some enterprises have increased the difficulty of tax work

somewhat. According to the planned figures for the first quarter, the province's tax revenue is still short by 100 million yuan. This has made the tax work more difficult still. [passage omitted]

Chen called on governments at different levels to strengthen their leadership over tax work, attach greater importance to and support tax work, bolster tax workers in their tax collection work, and help them solve practical problems. Meanwhile, governments should stress tax collection while strictly controlling expenses and supporting the work of tax bureaus. Public security and other judicial organs should protect tax workers according to law, and those who violently resist tax payments and insult tax collectors should be promptly punished according to the law. [passage omitted]

Hunan Releases Economic Development Statistics

*HK1905063090 Changsha Hunan Provincial Service
in Mandarin 2200 GMT 17 May 90*

[Text] Statistics released jointly by the Hunan Provincial Statistics Bureau, the Hunan Provincial Planning Commission, the Hunan Provincial Industry Commission, the Hunan Provincial Finance Department, and the Hunan Branch of the People's Bank of China show that in the first four months of this year fixed assets investment made by units operating under the system of ownership by the whole people decreased by 1.1 percent compared with the same period last year.

By the end of April, Hunan's bank loan balance had reached 38.671 billion yuan, an increase of 5.71 billion yuan compared with the beginning of this year. Hunan's wage expenditure reached 2.967 billion yuan, a 6.4-percent increase over the same period last year. However, the rate of increase of Hunan's wage expenditure was much lower compared to the same period last year.

The first four months of this year also saw a 3.4-percent increase in Hunan's industrial production compared with the same period last year. Of Hunan's 14 prefectures, autonomous prefectures, and cities, only Changsha City, Shaoyang City, and Lingling Prefecture had a slight drop in their industrial output values, while all other prefectures, autonomous prefectures, and cities in Hunan had sizable increases in their industrial output values in the first four months of this year.

Hunan's export trade also developed rapidly in the first four months of this year.

Nonetheless, statistics show that Hunan's industrial enterprises still failed to achieve satisfactory economic results: in the first four months of this year, Hunan's variable industrial cost increased, while its industrial product sales volume and industrial profit and tax rates dropped compared to the same period last year.

Details of Goods Pricing System in Jiangxi

90CE0049A Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 2, 15 Feb 90 pp 32-35

[Article by Zeng Jianfei (2582 1696 7378): "Setting Goods and Materials Sale Prices"]

[Text] Goods and materials sale prices are the prices that enterprises dealing in goods and materials charge when supplying the means of production and the means of consumption to production and construction units, and to units that use and consume the goods and materials. These prices are mostly in the form of supply prices, internal allocation prices, and retail prices. With the deepening of economic system reform and since the complete implementation in 1985 of a "two-track system" for prices of the means of production, retail prices of goods and materials have also been divided into the supply price of goods within plan and the retail price of goods outside plan. Now let us explain the methods that goods-selling enterprises use to set the prices of goods within plan and outside plan.

A. Formulation of Prices of Goods and Materials Outside Plan

Today, the state divides the sale price of goods outside plan into three groups for purposes of control, namely a "national uniform maximum price" adopted to control materials such as important metals, a "guidance price" to control the sale price of fairly important means of production, and a price freely agreed upon by both parties to transactions as a form of control for ordinary means of production.

1. Setting Prices of Ferrous and Nonferrous Metals Within Plan

Currently, the state exercises nationwide uniform maximum price control limits on the prices of both ferrous

and nonferrous metal products outside plan. The uniform maximum price limits that the State Council formulated and delivered to subordinate units on 11 January 1988, and that the State Commodity Prices General Administration, the Ministry of Materials, the Ministry of Metallurgical Industry, and the Chinese Nonferrous Metals Industrial Corporation jointly promulgated were separately issued on 20 January 1988 and 24 March 1989 as the first and second round of maximum price limits. The third round of maximum price limits is currently in effect (effective 10 October 1989).

The state divided into two parts the uniform price limits for both ferrous and nonferrous metals outside of plan, namely the "national uniform fixed price" and the "non-national uniform fixed price." The "national uniform fixed price" table sets the "added price on the maximum sale price," the "added price on the maximum ex-factory price," and the "state unified ex-factory price representative product price" for all products. The plan formula is as follows:

National uniform maximum ex-factory price = maximum ex-factory price added price + the national uniform ex-factory price representative product price.

National uniform maximum price = maximum sale price added price + national unified ex-factory price representative product price.

Maximum sale price in all jurisdictions = national uniform maximum sale price + local fixed miscellaneous shipping fees for inbound freight outside plan. Alternatively, the maximum retail price in all jurisdictions = national unified maximum ex-factory price x (1 + business expense rate) + local miscellaneous fixed shipping fees for incoming freight outside plan.

The handling fee rate is 7 percent for ferrous metals and 4.5 percent for non-ferrous metals. Fixed shipping fees for metal materials outside plan for prefectures and cities in Jiangxi are shown in the following table.

Prefecture and City Standards for the Collection of Miscellaneous Shipping Fees for the Importation of Metals Within Plan

Unit: Yuan							
City, Prefecture	Nanchang	Xinyu	Yingtian, Yichun	Pingxiang, Shangrao, Fuzhou, Jiujiang, Jingdezhen	Ji'an	Ganzhou	Handling Fee Rate
Ferrous	65	65	75	85	110	180	7%
Nonferrous	140	150	150	150	190	240	4.5%

The kinds of products listed on the "non-national uniform fixed price" price table are products for which no price is set in command-style plans. The prices shown on the table are the nationwide uniform maximum ex-factory prices and the nationwide uniform maximum sale prices. The formulas used to derive the maximum sale prices are the same as the formulas provided above.

In Jiangxi Province, the handling fees of enterprises dealing in materials may not be exceeded no matter how many links in the circulation chain a product for which a maximum price has been set goes through. When metal products on which a maximum price has been set that are in short supply are to be imported outside plan or purchased from outside the province at a price above the

maximum allowed price, permission must be requested from the provincial materials pricing bureau, and their sale is limited within the province. The pricing formula is as follows:

(Inbound freight price + miscellaneous set shipping fees for materials outside plan) \times (1 + handling charge rate for products outside plan).

2. Method of Setting the Sale Price for Goods Under Guidance Price Control and for Ordinary Means of Production

Prices of goods under control of guidance prices are set by materials price control offices for the regulation of goods outside plan in prefecture and city price bureaus in all jurisdictions, who are to publish regularly the kinds of goods for which local markets are to institute guidance prices, as well as the market guidance prices. Both the market guidance price and the degree of permitted fluctuation are to be prescribed for guidance prices. The formula for making calculations is as follows:

The sale price of all kinds of goods = the market guidance price \times (1 + the fluctuation rate).

Permission for this price to drift downward or to float upward must be requested in a report to the local price control office for means of production outside plan.

Pricing of ordinary means of production other than those covered by a maximum allowed price and a guidance price is arrived at either through the operation of the market or through consultation between suppliers and buyers. When enterprises set the price themselves, they may use the "business cost method for setting prices," or they may use the "marginal revenue analysis method."

The "business cost method for setting prices" employs the enterprise commodity operating cost as a basis, adding a certain amount of profit and required taxes to arrive at the price. The formula for calculations is as follows:

The price of a given commodity = the purchase price + commodity circulation expenses + profit + taxes.

The "marginal revenue analysis method" uses an analysis of price changes. The difference in the total amount of sales revenue per each additional unit of commodity sold, i.e., the marginal revenue positive or negative value, is used to determine the sale price. For example, when sales volume goes up after an enterprise lowers prices, this causes an increase in the positive value of marginal revenue; however, when the price falls to a certain extent and the increase in return on sales volume is less than losses caused by lowering of the price, a negative marginal revenue results. This is the method of setting prices on the basis of the size of the marginal revenue.

B. Pricing of Goods Within Plan

By goods within plan is meant goods allocated through state command plans. Prices of goods within plan are arrived on the basis of the principle of a "fair calculation of costs and a fair profit." Prices are arrived at by adding the purchase price of the goods to circulation expenses, profit, and taxes. There are very many forms of purchase prices of goods within plan, such as the state uniform set price, local interim price (i.e. local price), import agency price, and the "Baogang base price" [bao gang pi jia 1405 6921 0999 0116], as well as the premium-quality product added price, and so forth. Goods circulation costs, profit, and taxes form the standard for goods and materials charges. In Jiangxi Province, standards for goods charges are set on the basis of the commodity circulation costs of goods-producing enterprises as calculated by goods pricing and goods units at all levels. Goods charge standards include incoming freight miscellaneous shipping expenses and handling fees. Incoming freight miscellaneous expenses include all shipping, loading and unloading, moving, transportation insurance, and warehousing fees, as well as in-system fees incurred from the time goods leave the supplier's warehouse until they are examined and accepted at the enterprise's warehouse. Business expenses include storage fees, administration fees, bank interest, and profit. The formula for making calculations is as follows:

Supply price = (incoming freight price + incoming freight miscellaneous fees) \times (1 + handling fee rate). Alternatively, supply price = purchase price \times (1 + incoming freight price \times (1 + handling fee rate)).

Please see Tables 1, 2, 3, and 4 for incoming freight shipping fee and handling fee standards for goods within plan in prefectures and cities in Jiangxi Province.

The method used to make fixed reductions in charges on goods mutually allocated within the system and internal reduced charge standards authorized for provincial level companies in dealings with prefecture and municipal companies and county-level materials supply bureaus (or companies) are respectively as follows: a 1.7-percent reduced charge for metal materials, a 2.2-percent reduced charge for electromechanical equipment; a 1.2-percent reduced charge for motor vehicles, a 1-to-2 percent reduced charge for chemical and light industry products, and a 1-to-2 percent reduced charge for building materials.

In order to reduce field warehousing during transfers of goods that must be supplied by regulation through materials enterprises, materials enterprises are to make final funds settlements. When no warehousing is required during transfers, the incoming freight miscellaneous expenses and the 0.7 percent storage fee are to be reduced on materials that plants allocate and supply, and bank interest on advances on sales is to be reduced 1.1 percent.

When materials enterprises establish supply network outlet points in townships and towns, they may set a

price that adds a reasonable regional differential to the outside-the-system basic supply price, and the price differential is subject to examination and approval by local pricing units. In principle, prices for the supply of small odd lots of goods should be worked out between the recipient party and the party at the odd lot point of origin. Retail prices are to be charged for sales intended

for personal consumption and for supply of odd lots below the point of origin, the retail price being the external supply price plus an odd lot supply differential rate of 10 percent or less, the specific differential to be suggested by materials units and reported to materials pricing units at the same level for examination and approval prior to implementation.

Table Showing Charge Standards for Metals Within Plan in Prefectures and Cities of Jiangxi Province—Table 1

Unit: Yuan/ton											
Product	Gan-zhou	Ji'an	Fuzhou	Shan-grao	Yichun	Jiuji-ang	Pingx-iang	Yingtian	Jing-dezhen	Xinyu	Nan-chang
Common steel	163	50	38	32	33	32	36	34	38	27	22
Medium plate	195	55	52	55	42	42	48	55	61	31	32
Pipes	200	65	71	50	54	46	52	50	61	40	42
Sheet metal	205	60	70	60	60	46	54	58	67	45	36
Premium steel	189	50	59	40	56	40	61	41	46	37	26
Pig iron	190	45	44	32	22	44	35	33	32	28	40
Coke	170	45	32	32	22	44	23	33	32	28	40
Ferroalloy	240	45	44	32	22	44	35	33	32	28	40
Nonferrous raw material	245	110	125	115	70	80	105	85	82	70	80
Nonferrous processed material	268	130	125	115	152	90	138	86	123	70	80
Business fee: ferrous	7%	7.3%	7.5%	6.1%	5.7%	7.9-8.1%	6.2%	6.7-7%	6%	6%	5.7%
Business fee: nonferrous	4.7%	4%	6%	4.2%	4%	5-6%	4.5%	4.6%	5%	4.2%	4%

Table Showing Overall Charge Standards for Electromechanical Products in Prefectures and Cities of Jiangxi Province—Table 2

Unit: Percent											
Product	Gan-zhou	Ji'an	Fuzhou	Shan-grao	Yichun	Jiu-jiang	Pingx-iang	Yingtian	Jing-dezhen	Xinyu	Nan-chang
Category I electromechanical products	14.6	12	14.2	10	9.9	11.1	10.5	3.5	3.1	10.2	10
Instruments and meters	16.4	11	10.2	9.3	9.6	10.4	9.5	2.5	1.5	10.4	9.3
Associated electrical products	14.6	12	10	8	9.6	10.7	9.5	3.5	3.1	10	9.5
Steel bearings	11.8	10	9	9.5	8.1	9.4	8	2	3.1	10.3	8
Tools and measuring tools	14.1	10	8.6	9.3	8.1	9.1	8	2	1.5	10.3	8
Category III supplies	7.5	11	8.3	8.5	11.6	9.6	10.5	2	1.5	10.1	8.5
Consigned materials	7.5									3.6	3.6
Shipping charges for motor vehicles from outside the province	995 yuan	6.7	820 yuan	800 yuan	4	840 yuan	840 yuan	800 yuan	800 yuan	4.9	740 yuan
Business Fees for Motor Vehicles From Outside the Province	12.6	7.2	9.5	6.3	7.4	7.3	10.5	7.2	7.2	6.6	6.3
Shipping charges for motor vehicles from inside the province	230 yuan	6.7	600 yuan	At actual payment	4	At actual payment	At actual payment	At actual payment	300 yuan	4.9	At actual payment
Business fees for motor vehicles from inside the province	8.6	7.2	9.4	6.3	7.4	7.3	10.5	7.2	7.2	6.6	6.3

Table Showing Incoming Freight Miscellaneous Shipping Charge Standards For Chemical Products in Prefectures and Cities of Jiangxi Province—Table 3

Unit: Yuan/ton											
Product	Gan-zhou	Ji'an	Fuzhou	Shan-grao	Yichun	Jiujiang	Ping-xiang	Yingtian	Jingdezhen	Xinyu	Nan-chang
Sulfuric acid	180	110.3	79	80	65	66	32	45	At actual payment	80	45
Nitric acid	240		70	80	78	100	100	65	At actual payment	80	45
Soda ash	240	84	61	50	75	46	69	50	70	70	36
Caustic soda	170	110	67	45	109	50	65	70	75	98	43
Polyethylene and acrylic	235	200	134	80	54	50	89	65	84	90	45
Resin	220		80	50	45	45	127	45	84	90	45
Carbide	10	96	90	90	90	86	28	100	112	106	90
Explosives		25.7	10%	130	110	9%	8	170	170	115	100
Rubber manufactures	230	236.4	99	65	65	100	83	70	116	108	65
Natural rubber	200	103.8	0.8%	1.2%	0.2%	0.2%	145	0.2%	0.2%	2%	0.2%
Other chemicals	5%		4%	6%	2.5%	At actual payment	2.5%	2%	4%	3.5%	2.5%

Table Showing Incoming Freight Miscellaneous Shipping Charge Standards for Building Materials in Prefectures and Cities of Jiangxi Province—Table 4

Unit: Yuan/ton											
Product	Gan-zhou	Ji'an	Fuzhou	Shan-grao	Yichun	Jiujiang	Ping-xiang	Yingtian	Jingdezhen	Xinyu	Nan-chang
Cement	35	44	25	14	15	20	27.5	28	162	25	25
Asphalt	140	110	117	85	111	57	101	80	84	119	81
Gypsum			39	50	38	40	21	38		38	38
Asbestos	108		140	115	164	130		131		131	131
Asbestos rubber board	189	130	100	115	95	60	118	95		155	95
Asbestos manufactures	130	180	150	115		60	241	150	71	220	150
Asbestos tile	1.41	1	0.7	0.46	0.45	0.7	0.8	0.45		0.8	0.45
Glass	32	18%	11.5	10%	12.5%	12%	12%	10%	25	17.4%	10%
Asphalt felt	2.1	1.5	1	1	1.25	0.2	1.6	1.2%	1.5	1.55	1
Sanitary porcelainware	10%		8%	8%	6%		15%	5%	1.3	5%	5%
Metal brushes	5		2.5	2.5	2.5%	0.1	1.5	2.5		3.5	2.5
Other construction materials	10%	10%	10%	8%	5%		7%	8%	5%	8 %	5%

Note: 1) Within the Pingxiang City system, the incoming freight miscellaneous shipping fee for steel is 20 yuan per ton, plus a 1.3 percent handling fee. The miscellaneous shipping fee for nonferrous metal products is 60 yuan per ton, plus a 1 percent handling fee.

2) Should there be any readjustment of the foregoing charge standards, the approved standards will be taken as the standard.

Sichuan Consumer Goods Prices Drop

HK0506051790 Chengdu Sichuan Provincial Service in Mandarin 0915 GMT 4 Jun 90

[Text] According to a sample survey conducted by the Sichuan Provincial Urban Investigation Team, prices of

Sichuan's consumer goods dropped monthly from January to April, with a drop of 6.7 percent in January, 11.3 percent in February, 7 percent in March, and 5.2 percent in April.

From January to April, the prices of Sichuan's consumer goods decreased at an average rate of 7.6 percent.

The prices of nine of Sichuan's 11 major consumer goods dropped significantly. For instance, grain prices dropped by 7.6 percent compared to the same period last year. It is believed that the prices of Sichuan's consumer goods will continue to drop in the coming months.

Rectification Yields Noticeable Results in Wuhan

90OH0463A Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 2, 23 Feb 90 p 32

[Article: "Strengthen Macroeconomic Control, Promote Rectification of the Structure"]

[Text] Wuhan has centered itself on rectifying the economic order, and has achieved some remarkable results by establishing a guiding ideology of "seeking improvement in stability and flexibility in stringency," improving macroeconomic control and rectification of the economic structure.

Liu Xuede [0491 1331 1795], vice chairman of the Wuhan Economic Structure Reform Committee, outlined Wuhan's course of action at the National Economic Restructuring Meeting:

Resolutely control gross volumes. After a year of hard work, both the region's investment in fixed assets of the whole society and the municipality's investment in fixed assets were reduced by more than 30 percent, this exceeded the figure set by the state. Wuhan's social group purchasing power fell 12.85 percent compared to that of 1988, that of specially controlled products dropped by 39.4 percent. The increase in the wage fund (deducting the material cost factor) was less than the increase in the national revenue and labor productivity. The market is tending toward stability, and material prices have fallen.

Readjust the product structure. Funds, energy, and raw materials were guaranteed for key products sold on the market, and unmarketable products having backward technology and high energy consumption were resolutely controlled and eliminated. Along with this, leadership was improved, the municipal government persisted in holding a monthly meeting to analyze economic activities, conduct prompt study of economic problems in the municipality, and to strengthen economic adjustment and control so that the various economic pivotal departments could pool efforts to eliminate the worries and resolve difficulties of enterprises. The government recently established leading groups for macroeconomic adjustment and control, and is setting up a municipal macroeconomic adjustment and control fund.

Give play to the role of financial supervision and money circulation. Financial investment into restricted products and the enterprises which manufacture them was strictly controlled. Support funds were provided for key products and to enterprises having over 5 million yuan in annual profits and taxes. Banks supported improvement and rectification by making existing funds, especially those that have not been moved, more flexible.

The methods for accomplishing these were: First, stressing the main points and having guarantees and controls. Under the situation of tight funds, the method of "classifying enterprise loans, and breaking down the supply of funds" was strictly adhered to. Enterprises were arranged according to importance and urgency and the principles for enterprise loans were clarified based on industrial policies, economic benefit, the level of management, and the enterprises' reputation. Category 1 enterprises were given priority and promptly supplied with funds; category 2 enterprises were given loans with some enterprises getting more and some less, the municipality reduced its circulating fund loans by one percent in order to ensure that the development needs of category 1 enterprises were met. Second, enthusiastic help was given to enterprises to clear up "triangular debts" and plan funds more flexibly. Banks and tax revenue departments formed "small units" to clear up debts and sent them to each key enterprise to combine the handling, help, support, control, management, and clearing up of debts, thereby making a portion of funds flexible. Based on statistics of this clearing up funds, by the end of November 1989, 1.5 billion yuan in debts had been taken care of, which accounts for about 50 percent of the amount to be cleared up. Third, tight funds were relaxed, existing funds were made more flexible, and a method of combining the thaw of funds and materials was adopted. According to the industrial development plan drafted by the municipality and the proper sequence for loans, raw materials were supplied to the commodity departments of key enterprises on a priority basis. Banks also put out loan quotas and that interest on loans for production and marketing enterprises would be set by the bank. This supported key enterprises and was beneficial for effective adjustment and control of funds and the commodity market by the state.

Tax reform was gradually extended. Wuhan is one of the cities in China where tax reform is being tested. On the foundation built by Wuhan being a test site for tax levy and management reform in 1988, the municipality went even further in carrying out the "three separations" method of levying taxes and tax management in 1989, it appropriately established and perfected a tax levying and management system along with necessary measures, formed unified tax collection, separated the qualities of tax levying and management, and formed three restrictive mechanisms for relatively independent tax examination, good results were obtained in all the above. By the end of November 1989, the industrial and commercial tax revenue collected by the municipality showed an increase of 20.33 percent compared to the same period in 1988, and the individual income adjusted tax increased by nearly 700 percent compared to 1988.

Steadily carry forward reform of the social guarantee system. In the aspect of overall planning for social retirement, state operated enterprises all participate in the plan, the amount of collective enterprises participating in the plan is 39.2 percent, all contract workers are putting into the plan, 890,000 workers and staff of

more than 3,600 enterprises and institutions are participating in an old age compensation plan, a preliminary old age security plan for temporary workers of state operated enterprises, for workers and staff of privately operated enterprises, and self-employed laborers has been drafted and is being prepared for implementation. Some experience has also been gained in a small number of units regarding reform of workers' medical insurance, with good results being attained. These measures have had a certain effect on relaxing supply and demand problems and for guiding consumption.

FINANCE, BANKING

Rising Personal Savings Seen as Desirable Trend

90CE0153A Beijing JINGJI CANKAO in Chinese
3 Apr 90 p 4

[Article by Huang Yuguang (7806 1342 0342): "Dispelling Misgivings About Increase in Savings Deposits"]

[Text] The effect on the country's economic life of more than a year of improving the economic environment and restructuring the economic order has been tremendous. The first steps have been taken to contain inflation, but some new contradictions have cropped up along the way as follows: in 1989, the growth rate for total social commodity retail sales fell 7.7 percent after adjusting for current year price factors; total retail sales of means of production in the country's materials supply system declined as much as 18.2 percent after adjusting for price factors; and the slump in market sales led to a tie up in unsold finished products of large amounts of capital in producing enterprises, and a serious triangular debt situation, which have caused a very great impact on enterprises' normal production operations. At the same time, the savings deposits of city and country residents throughout the country increased by 133.4 billion yuan in 1989 over the previous year in a 35.1 percent rate of increase. By the end of 1989, the savings balance broke the 500 billion mark. The foregoing situation has sparked varying opinions from different quarters. One fairly popular view today is that the extraordinary growth in savings is an extremely important reason occasioning the market slump; therefore, an appropriate readjustment of savings policies is necessary in order to insure enterprises normal production operations, to ease the market slump, and to promote moderate consumption, thereby mitigating the overly rapid growth of savings deposits.

This point of view is representative to a certain extent, but whether it is a rational and workable point of view bears further analysis. We know the role that residents' savings accounts play in the redistribution of national income, that they regulate the proportional relationship between accumulation and consumption in the national economy, regulate the amount of currency circulation in the market, and guide consumption. Once residents have a certain amount of money income, whatever they put into savings accounts is no longer available for use in

buying the means of livelihood or the means of production, so the amount of purchasing available to society to buy these commodities will be less. Correspondingly, this is bound to make it impossible to realize the value of means of livelihood consumer goods, and of some means of production commodities. This is a possibility, and it is also the theoretical basis for the above view. However, an analysis of savings accounts should not halt at such a superficial explanation. In the normal social reproduction process, the conversion of consumption funds in the form of savings into production funds can be beneficial to the process of the country's planned proportional development. We know that one of the most important balance in the overall national economic balance is the credit balance. This is to say that when the state is planning the annual proportional relationship between accumulations and consumption, savings are actually regarded as an accumulation fund and no longer function as a consumption fund. The state allocates savings as part of the overall balance of government finance, credit, foreign exchange and materials. The state can do this because as the economy develops, the flow of savings remains stable, both the amount and the rate of increase basically forming a constant. This insures that the state is able to plan the ratio between accumulations and consumption for the whole society on the basis of the volume of savings and their rate of increase, and is able to insure that the monetary pattern and the material pattern of these funds correspond. Thus, under ordinary circumstances, no problems attributable to normal increase in savings should occur that lead to the value of large amounts of consumer goods used in daily life failing to be realized. During 1989, urban and rural savings accounts in China increased 35.1 percent. Although this rate was markedly higher than the 23.1 percent of 1988 (a year of abnormal decline in the savings growth rate), it was normal when compared with the urban and rural average 34.8 percent savings account growth rate of the period 1979 through 1987. Therefore, to attribute phenomena such as the market slump that occurred since 1989 to excessive increase in savings may seem justifiable on the face of it, but actually a thorough analysis is lacking. I believe that the series of economic contradictions brought about by the market slump actually resulted inevitably from the easing of the conflict between total supply and demand, and the policy of readjustment of the economic structure that followed from the policy of improving the economic environment and restructuring the economic order. I also believe that further resolution of contradictions will accompany the gradual deepening of reform. Normal growth of savings deposits superficially seems to intensify the lack of real purchasing power when, in fact, this growth is necessary for the further easing of the conflict between total supply and demand, for accelerating readjustment of the industrial structure, and for ironing out economic relations. To proceed solely from immediate considerations and to abandon the policy of encouraging savings is inadvisable.

At the same time, we must pay attention to another aspect of the problem, namely that the country has an extremely weak savings base, and that the task of stabilizing savings is still a very daunting one.

First of all, since administrative methods and subsidies are employed to such a large extent in stabilizing prices in China, and a needed economic mechanism is lacking, the base is not firm. Price stability and savings account stability are extremely closely interrelated. We must firmly bear in mind the possibility of a price crisis resulting from savings account stability.

Second, analysis of the make up of savings accounts *per se* shows the extremely marked instability of urban and rural residents' savings deposits in China. This can be verified through an analysis of the motivation for savings in China: Generally speaking, residents' motivations for saving may be divided into three categories. One is the motivation to obtain interest from banks, which may be termed interest motivation for short. Second is savings in preparation for some momentary need such as the purchase of major durable consumer goods and to meet unexpected situations in life, which may be termed special consumption motivation. Third is savings for the purpose of buying a house, educating children, and as a hedge against employment, illness, and life during one's declining years, which may be termed the personal needs motivation. Savings motivated by special consumption desires have been relatively strong in recent years, but this motivation seems to be weakening now. This is because most residents who have the purchasing power, particularly the residents of cities and towns (city and town resident's savings accounting for nearly 70 percent of all savings deposits), already have numerous durable, high quality consumer goods (such as color television sets and refrigerators), and conditions are not yet ripe for higher quality consumer goods. A "vacuum" exists in many consumer areas, leading to a corresponding decline in the incidence of this form of motivation for savings relative to total savings. A survey conducted in Beijing showed that at the end of 1987, 48.6 percent of all savings were for the purpose of buying high quality consumer goods. This declined to 38.9 percent by the end of 1988, and further declined to 15.6 percent in 1989.

Motivation to save in order to take care of personal needs has always been relatively weak in China. This is because of China's prevailing employment system, separation and retirement system, education system, medical and health system, housing system, and social welfare system, which obviate the need for a fairly strong motivation to save for personal needs. The logic is obvious.

One point that needs to be raised is that the factors for instability in the country's savings are on the increase. As an example, the Beijing municipal survey showed that the percentage of savings for no particular purpose increased from 16.3 percent in 1987 to 45.6 percent in 1989. Unless such savings are properly channeled, they

can produce a substantial market impact. In addition, representative survey data from various jurisdictions show that private deposits of public funds is also fairly serious, and that large amounts of individual household production and operating capital are also being deposited in banks. These are substantial factors for instability since they are not savings in the usual sense.

The foregoing analysis shows that the above three motivations for savings as the main components of the savings structure are not strong or are weakening in China, while some factors for instability are increasing at the same time. This shows that the foundation for large scale savings in China is still not solid. Unless we realize this, and resolve to encourage savings, and stabilize savings, serious consequences may result.

Naturally, making savings deposits truly stable requires a process. First of all, it requires improving the economic environment and restructuring the economic order in order to eradicate currency inflation for an attendant strengthening of residents' motivation to save in order to obtain interest. It requires keeping in line the correlation between interest rates and the rate of return on investment. Second, diligent study and formulation of a consumption policy for the country is necessary, attention being given both to guiding moderate and rational consumption, and appropriately reinforcing the motivation to save for special consumption. Third is reform of the social employment system, the educational system, the medical and health system, the housing system, and the social welfare system for the gradual strengthening of motivation to save for personal needs. Fourth is to use inculcation of honest government, reform of the financial system used in government agencies, groups, and entrepreneurial units, as well as improvement of administration to halt the private deposit of public funds, as well as reform of the banks' account settlement system to guide individual operators to account for funds through banks. In short, the need to dispel misgivings about the growth of saving, and to encourage savings should become one of the country's basic policies.

MINERAL RESOURCES

Poor Management, Inefficiency Impede Gold Production

90CE0171A Beijing JINGJI RIBAO in Chinese
11 Apr 90 p 1

[Article by correspondent Cheng Yuan (4453 6678): "Where the Heart of the Problem Lies That Is Holding Back Rapid Development of the Gold Industry"]

[Text] Gold is a universal currency internationally today that symbolizes wealth and national power, and that has become a mark of a country's creditworthiness in foreign intercourse. The steady rise in international prices and advances in dressing and smelting techniques of recent years have attracted more investment in gold, stimulating all countries of the world to expand their output of

gold. Some countries have even adopted policies of complete tax exemption, prospecting concessions, and pre-tax debt repayment to provide an "infusion" for the gold industry. Output in the United States, Canada, and Australia has increased at an annual rate of more than 15 percent.

China has also very greatly expanded gold production during the past 10 years in an average annual 10.3 percent increase. In 1989, the country's gold output was 1.7 times greater than in 1979, and 15 percent greater than in 1988, making 1989 the year of greatest increase during the past 10 years. Total gold output during the past 10 years was more than half the total for the previous 30 years. The number of counties nationwide producing more than 10,000 ounces of gold increased from one to 29, and the number of gold mines producing more than 10,000 ounces reached 43. China has more than 400 tons of gold reserves today.

With the deepening of the policy of reform and opening to the outside world, the role of gold in the national economy has become increasingly important. As the peak period in debt repayment approaches, during the past several years the country has constantly made new calls for an increase in gold output. However, today quite a gap exists in the expansion of the country's gold output both in terms of the speed of development that the country expected, and in comparison with expansion by other major gold producing nations of the world.

Numerous reasons account for this situation, but it is manifested particularly glaringly in is the incongruity between the planned economy and market regulation.

Gold equates with money. In China, the state exercises unified state control over gold in a highly monopolistic way, which is to say that it operates a complete product economy with regard to gold. But is the state's system for controlling gold in keeping with this? Let us take a look at the road that the gold industry has traveled since liberation.

During the 1950's, since China had relatively little international intercourse, the role of gold was not as important as that of steel and chemical fertilizer. As a result gold production withered away. In 1957, output of all industrial products increased enormously, the output of gold alone being much lower than historically. During the hardship period of the 1960's, because of the need to pay bills and to buy grain abroad, the estate established the Chinese Gold and Minerals Corporation, establishing overnight a number of large mines directly under state-ownership, including the Zhaoyuan, Wulong, and Jinchanggu mines. Gold production began to revive. At the beginning of the "Great Cultural Revolution," the gold mining corporation was dissolved, and gold again reverted to an appendage industry status. Two persons in the nonferrous metals section of the Ministry of Metallurgy were designated responsible for gold. Gold output just drifted without moving ahead.

After 1975, the state re-emphasized the gold industry, constructing a number of state-owned mines and gold extraction ships, thereby laying the material foundation for the large expansion of the gold industry during the 1980's. By 1985, gold output capacity doubled. During this period the mining of gold by individuals also expanded, but this had no impact on the gold industry because of the very undeveloped market economy in the country. The gold industry continued able to operate by itself in the overall national economic system, state-owned mines and mining by individuals not interfering with each other, for a notch-by-notch rise in gold output.

Following 1984, with the reform, opening to the outside world, and invigoration of the national economic system, and the shift from a product economy to a commodity economy, the gold industry system came to be increasingly out of step with the changing economic climate, the contradictions becoming increasingly sharp.

Like other industries, the gold industry had to institute rational economies of scale in order to obtain optimum economic returns. In economically developed countries, gold mines having fairly large deposits are able to do large scale mining, most mines processing more than 2,000 tons of ore each day. In China, however, even though reserves are substantial, the scale of construction is relatively small, so much so that in some township-operated gold enterprises, production methods are at about the same level as peasant charcoal making. Naturally, the smaller the scale, the lower production efficiency, and the larger the percentage of small enterprises, the lower the relative consistency of production capacity. State Gold Bureau statistics show show an annual per capita labor productivity rate of 535, 344, and 277 tons respectively for large, medium and small mines, an almost one fold difference between large and small mines.

The miniature mine size also causes waste of limited gold resources. Statistics on 77 mines showed mine tailings from large, medium, and small mines average a gold content of 0.475, 0.615, and 0.893 grams per ton respectively, and in some mine tailings, it is one gram per ton or more. This is almost the same as the grade in state ore that is to be heap leached.

We built numerous large mines, but state ownership of resources is virtually an empty phrase. Gold belongs to those in whose land it was buried. Because of the different ways benefits are cut up, the state, the province, the prefecture, the country, the township, and even the village all build mines into the same ore vein. Thus, there is pit after pit, and mine after mine, each of them small but complete. In a ravine in Banmiao Village under jurisdiction of Huadian City in Jilin Province, the city and the country each built three mines into the same ore body, each mine at the 100 ton scale. Each had its own logistic facilities including a dressing area and machinery repair. Not only was half again as much investment required to construct the mine, but the number of personnel in charge doubled, and economic returns were

not good either. In the major gold producing areas of Lingbao in Henan and Zhaoyuan in Shandong, this kind of situation is even more serious.

Since reform of the economic system, the decision-making authority and the production power of enterprises and local governments has increased, but there is no accompanying limiting mechanism. Regional feelings run too deep; macroeconomic regulation and control spins around in futility; and driven by the desire for gain, the decentralized and low level duplicatory investment cannot be halted. As a result, individual large projects in which investment should be concentrated for development are divided into multiple projects; the whole is broken up into parts; and the large is made small in the further exacerbation of the irrational enterprise structure.

By the same token, when the state wants to intensify mining and expand the scale of production of large mines in which reserves are fairly substantial, neither enterprises nor local governments have any interest. They worry lest an intensification of mining depletes the mines within a few years, and then where will local government revenues come from? And where will jobs be found for the staff members and workers from the mine. Better a small stream that runs for a long time, and the ability to "shake the money tree" for several years without having it fall over. The inability to engage in large scale operation of large mines means many reserves are tied up, and this also hurts increase in gold output.

Increase in gold output requires steady provision of abundant mine resources for production. Because insufficient prospecting is being done nowadays, geology teams frequently can work for only half the year. As a result geological prospecting for gold resources lags behind production and construction. When production and construction is done in advance of prospecting, or when prospecting and mine construction occur in tandem, some mining areas having large reserves are also divided up into small mines little by little over a period of time. Once some mines have been built, either no or reduced reserves, or a greatly decreased grade impairs gold output. Nevertheless, at the same time, measures to protect the mining of this special gold resource are ineffectual, and the waste of resources is extremely serious. Even though the state decided in recent years to exercise organic control over gold prospecting, development and production, there are countless difficulties in implementation. Currently there are gold control organizations of every kind and description.

The gold industry is an industry whose final product is controlled to death in the planned economy, yet it is treated no differently than any other industry in terms of the method of investment in construction, or market regulation. For example, a newly constructed mine with a 50 ton per day ore processing capacity requires an investment of approximately 10 million yuan. If 900,000 yuan in interest is paid on the loan each year, and the annual profit realized from the mine once it goes into

operation is substantially the same figure, there is only enough to pay the interest, so how can the capital be repaid?. Furthermore, the loan repayment period usually runs from one to three years, but a reasonable period of time for building a gold mine is four years. This means that even before the mine goes into operation, the loan has to be repaid. In addition, most materials needed for capital construction are also regulated by the market, which means that cost overruns will ensue, so how can there be any enthusiasm for mine construction. The production situation is even worse. Enterprises may not themselves sell so much as 1 gram of the product, and the price is centrally controlled by the state. Nevertheless, the state supplies only 30 percent of the processed steel, sodium hydroxide, and diesel fuel used in production, and the gold bureau exchanges gold for one-third of the foreign exchange needed, leaving the enterprise to solve the problem of the remaining third. Couldn't the enterprise be allowed to use gold in exchange for foreign exchange? Command-style plans do not receive command-style plan support. For the enterprises, every step of the way is difficult. Not only is there no reason for being interested in increasing output, but the seriousness of plan itself is weakened making the goal of macroeconomic regulation and control more difficult to attain.

The gold industry is by no means the only one that is entirely under plan control. How such enterprises can operate well in an overall climate of a plan economy in conjunction with market regulation is a problem that is currently more difficult and more in need of study for solution. Some people say that since the state wholly controls output in such industries, it is only reasonable that the state should be responsible for input, and this makes a certain amount of sense.

INDUSTRY

Guangdong Steel Output Up 9 Percent in 1st Quarter

90P30036C Guangzhou NANFANG RIBAO in Chinese
10 Apr 90 p 1

[Summary] Guangdong's 1990 first-quarter output of steel, iron, coke, rolled steel, and iron ore was nine percent higher than in the same period last year. Steel output in March reached 104,000 tons, the highest level ever. An increased supply of electricity and an improved transport situation enabled many enterprises to steadily increase output. Among them were the Guangzhou Iron and Steel Company, Ltd., whose electric furnace steel output increased 22 percent over the first quarter in 1989, and the Dabaoshan Mine, which produced 375,000 tons of ore in the first quarter, or 29.3 percent of its target for the year.

Shanghai Steel Output Increases, Profits Do Not*90P30036B Shanghai JIEFANG RIBAO in Chinese
6 Apr 90 p 1*

[Summary] In the first quarter of this year, Shanghai produced 1,334,500 tons of steel and 1,243,800 tons of rolled steel, an increase of 33.62 percent and 16.46 percent respectively over the same period last year. Three things characterised first-quarter steel production: there was increased availability of some key products; reduced metal consumption and an increased production rate of usable products helped raise production levels; and a serious slide in economic benefits caused deficits in the industry for the first time. This was due primarily to higher prices for such things as raw materials and transportation. Increases in some tax revenues and problems with payments for goods also made it impossible for the industry to realize the profits it should have.

FOREIGN TRADE, INVESTMENT**Legal Issues in Foreign Trade Outlined***90CE0151A Beijing GUOJI SHANGBAO in Chinese
14 Apr 90 p 1*

[Article reprinted from "Reports on the Situation in Legal Work": "Several Noteworthy Legal Issues Affecting Economic Relations and Trade"]

[Text] 1. One must be sure about who the opposite party signatory is. In most countries, the foreign capital code provides that sub-corporations are not independent juridical persons. Numerous foreign companies that have economic relations and trade exchanges with us frequently hold talks with us in the name of a corporation, but it is a sub-corporation that signs agreements with us. Because of the economic power and the commercial reputation of the corporation that is the opposite party, we usually do not concern ourselves deeply with the principal with whom an agreement is being signed, and this can very well cause economic losses for which no recompense is provided. One example was the importation of technical equipment by a certain enterprise in Jiangsu Province. We always held talks with a corporation, but the signatory to the agreement was a sub-corporation of that corporation. In the process of carrying out the contract, it was found that the equipment that the foreign trader provided had serious quality problems, but when we sought compensation from the foreign corporation, the foreign corporation said that the signatory to the agreement was a sub-corporation not connected to it. Investigation revealed that the sub-corporation was verging on bankruptcy. According to the provisions of the corporate law of the country concerned, the corporation was liable only for its stock shares in the sub-corporation, therefore, the Chinese litigant was virtually unable to obtain any compensation whatsoever. Thus, when China signs an agreement with a foreign sub-corporation, it must fully understand the sub-corporation's creditworthiness, and make a complete

feasibility study of its ability to honor contracts. If its ability to honor contracts cannot be assured, the main corporation should be required to take responsibility for honoring the agreement.

2. Planning and economic committees at all levels in China must not act as guarantors of China's liability in international credit agreements. The Chinese People's Bank provides explicitly that only institutions dealing in foreign exchange, and nonfinancial enterprises having foreign exchange earnings are qualified to act as guarantors in guaranteeing foreign exchange. However, in the international credit agreements of some provinces, guarantors of foreign exchange liability or foreign exchange amounts are indeed planning and economic committees at various levels of government. This not only violates provisions of pertinent laws, but also changes the limited liability of the debtor and the guarantor into unlimited government liability. Some people trust to chance, supposing that since such a guarantee violates China's law, the guarantor can evade responsibility. Actually, rarely is Chinese law the applicable law for guaranteeing international contracts, nor is it possible to stipulate that litigation must be carried out in China. Creditors frequently can file suit in a foreign country according to foreign law. According to the principle of effective immunity, civil responsibility arising out of a country's commercial activities is not immune, and creditors also frequently require debtors in China to renounce such immunity.

3. In contracts for the importation of complete plants, and for technology transfers, it is necessary to ask the transferring party whether permits are required, or to make explicit provisions in light of these permits. Since some developed countries and organizations (such as the Coordinating Committee on Export Controls [COCOM]) place limitations on technology transfers to China, an export permit is an extremely important matter. In the process of implementing some contracts, the entire deal cannot be consummated unless an export permit is provided, occasioning very great losses for us. On such matters, China cannot compromise when signing contracts. It has to require explicit language in contracts as to whether a permit is needed. When necessary, the transferring party must furnish such a permit, and this permit must be a prerequisite for the payment of money or technology utilization fees.

4. Investment insurance clauses are not to be accepted in joint venture project contracts. Clauses like the following frequently appear in some joint venture project contracts: The joint venture is to establish a designated account for a portion of profits to be withheld each year as a foreign trader investment insurance fund. When this fund is equal to the amount of investment of the foreign trader (including interest), whenever political risks or commercial risks occur, this fund is to be used to compensate the foreign trader's investment losses. Such a clause not only violates Chinese laws concerned, but

also violates the principle of equality in international economic and trade cooperation, and cannot be accepted.

5. Every effort should be made to translate internal policies into overt law. Today there are all sorts of internal regulations that require foreign trader observance, but that have not been made public and are kept from foreign traders. This increases needless inconvenience. For example, with regard to the percentage of industrial equity foreign traders may hold when making investments, internal regulations of economic relations and trade units stipulate no more than 20 percent, but this regulation has never been made public, so foreign traders are utterly unaware of it.

6. Independently accounting foreign trade companies need not be termed "Such-and-such a branch corporation of such-and-such a Chinese corporation." Recently several instances occurred in which money that several foreign trading companies in Jiangsu Province should have received, was frozen in foreign banks, the reason being that the main corporation in Beijing, or branch corporations in another province, were having a dispute about financial claims and liabilities in a foreign country. A foreign court held that all branch corporations and the corporation were the same juridical person, and that the branch corporation was not an independent entity; therefore, the property of any branch corporation could be seized for the liabilities of the corporation or any of its branch corporations.

Coal Exports Increase; Quality Declines

HK2905125690 Beijing ZHONGGUO XINWEN SHE
in English 1043 GMT 29 May 90

["Coal Exports Up, But Quality Down—By Ling Wei"—
ZHONGGUO XINWEN SHE headline]

[Text] Beijing, May 29 (CNS)—Chinese coal exports put on a good showing in the first four months of this year, with a total of 4.91 million tons, worth US\$ 187 million, being recorded for the period, an increase over the same period last year. Exports of this commodity for this period were 31 percent of the expected year's total, according to the China National Coal Import and Export Corporation.

Chinese coal exports in 1989 were over 15 million tons and the export volume of coal was worth US\$ 5.5 million, placing it seventh in the world and attaining the highest level ever reached in the history of the country's coal exports.

This year's target for coal exports will be even higher than last year's. With China now starting to repay her foreign debts and the need for foreign currency an urgent matter, an increase in coal production is seen as very important.

According to the deputy general manager of the China National Coal Import and Export Corporation, Huang

Saoshen, an important task for 1990 will be the strengthening of quality control of export coal. The declining quality of the product, he said, is a serious problem for the industry.

The various types of export coal have the common problem of quality to varying degrees. Especially worrying is the problem of detonators, he said. According to statistics from domestic loading ports, the number of detonators mixed with export coal in 1988 was more than 1,300. In 1989, the problem of detonators was even graver in the power coal from Datong. There were 602 detonators found in 58,000 tons of Datong coal exported to Japan last July. In January this year, detonators in 51,000 tons of Datong-produced coal exported to Hong Kong caused the coal to be returned by the Hong Kong buyer, making it the first cancellation of an order in the history of Chinese coal exports.

The departments concerned say that if the problem of detonators is not solved, it will be difficult for China to maintain its overseas coal sales. In order to improve the quality of its export coal, the China National Coal Import and Export Corporation is taking various measures. The main ones include the strengthening of the basic handling of export coal, the assigning of specific coal mines to produce export coal, the provision of financial and technical help to the coal mines producing export coal, and the enforcement of stricter adherence to rules and regulations in the industry. Furthermore, coal not conforming [as received] to quality standards will in future be rejected as of export quality.

Guangdong Adjusts Foreign Investment Structure

OW0405231290 Beijing XINHUA in English
1411 GMT 4 May 90

[Text] Guangzhou, May 4 (XINHUA)—Although Guangdong Province slowed down its use of foreign investment in the first quarter of this year, it adjusted the use of overseas funds and exported more products.

The official [as received] noted that the adjustment of the use of foreign investment and improvement of infrastructure will help the province to reinforce its ability to pay back foreign loans and pave the way for further foreign economic cooperation.

According to statistics, this south China province absorbed 420 million U.S. dollars in foreign investment in the first three months of this year, 100 million U.S. dollars less than in the same period last year.

However, a provincial official said that Guangdong is going ahead with 15 large projects, each with an investment of at least five million U.S. dollars.

It is learned that the province's foreign-funded enterprises exported 440 million U.S. dollars-worth of goods in the first quarter of this year, up 98 percent over the same period last year, and the income of enterprises

processing and assembling with foreign samples and materials totalled 110 million U.S. dollars, up 62 percent.

Guangzhou Bank To Assist Foreign-Funded Enterprises

*OW1705071090 Beijing XINHUA in English
1423 GMT 15 May 90*

[Text] Guangzhou, May 15 (XINHUA)—The Zhujiang branch of the Bank of China in Guangzhou, capital of Guangdong Province, will implement new measures to support the development of foreign-funded enterprises.

A bank official said that in extending loans, the Zhujiang bank will give top priority to productive, export-oriented and technologically advanced foreign-invested enterprises.

The bank will also help foreign-funded enterprises settle debt defaults with other enterprises, simplify business procedures and improve efficiency to serve the enterprises using foreign investment.

The Zhujiang bank is authorized to handle foreign exchange and foreign trade in Guangzhou.

Guangxi Increases Exports in 1st Four Months of 1990

*OW1505231390 Beijing XINHUA in English
1439 GMT 15 May 90*

[Text] Nanning, May 15 (XINHUA)—South China's Guangxi Zhuang Autonomous Region exported 220.86 million U.S. dollars worth of goods in the first four months this year, an increase of 41.7 percent over the same period last year.

The exported goods include grains, edible oils, animal products, metals, garments and tea.

Shanghai's Pudong Area Attracts Overseas Businessmen

*OW2205200690 Beijing XINHUA in English
0538 GMT 22 May 90*

[Text] Shanghai, May 22 (XINHUA)—More than 1,500 overseas businessmen, and investment and inspection groups have come to Shanghai to investigate the Pudong Development Area, an area designated for overseas investors.

The Pudong Development Office was set up on May 3 following a decision by the central authorities to open the area to the outside world.

Premier Li Peng in his announcement of the decision here last month pointed out the development of Pudong and its opening to the outside world are of great significance for Shanghai as well as the whole country.

Businessmen have come from 12 countries and regions, many from Taiwan, according to an official of the Pudong Development Office which has set up reception centers at Pudong and Puxi.

Businessmen filled two reception rooms at Shanghai's foreign investment work committee at last weekend.

A Taiwan businessman wanted to contract development of the eight-sq-km Waigaoqiao Export Processing Zone.

A representative of E.I.C., a U.S. company, expressed intent to invest in real estate, finance or airport and highway construction as well as to develop the export processing zone.

A communications inspection delegation from Canada has already offered concrete proposals to take part in [words indistinct] and planning for Pudong.

Several companies from Britain, the United States and the Netherlands have expressed intent to participate in the construction of berths and container freight yard when Pudong starts building its modern harbor next year.

Foreign companies have applied to invest in computer design, and the production of printed circuits, air compressors, medical equipment and pesticides.

A dozen foreign banks and financial institutions have asked for priority in setting up branches and finance companies in Pudong and Puxi. Some have offered to provide loans for Pudong's development.

Foreign companies have also shown interest in providing services in the area. A Japanese company has applied to set up a large commercial center in Pudong. Others have asked to invest in entertainment.

A leading official from the Pudong Development Office said overseas businessmen are eager to get a piece of land for their projects. A U.S. businessman even brought building designs when he applied for a piece of land for his project.

Shenyang Improves Export-Oriented Economy

*SK1905040590 Shenyang LIAONING RIBAO
in Chinese 15 Apr 90 p 1*

[Summary] In developing the export-oriented economy, Shenyang city has achieved good results through internal renovations and by enforcing the open policy. It has opened a money market in Hong Kong and six city-funded and joint-venture enterprises in Australia. It has also opened markets in the Soviet Union and Eastern European countries using various channels, such as barter trade, economic cooperation, labor exports, and construction contracts. To date, the city has established economic and trade relationships with dozens of oblasts of the Soviet Union and with more than 100 Eastern European corporations and companies. It has set up more than 40 business offices or centers in 20 countries

and regions around the world. In addition, the city has also conducted large-scale reforms of its old Tiexi industrial district and carried out technical renewal by introducing outside equipment. It built four production bases in the district, which can turn out more than 120 categories of export products. Up to now, the district has received foreign investments in 20 items, which are worth 480 million yuan; utilized \$30 million; and had 13 joint-venture enterprises.

ECONOMIC ZONES

Xiamen Encourages Investment in Infrastructure

OW1905183890 Beijing XINHUA in English
0939 GMT 19 May 90

[Text] Xiamen, May 19 (XINHUA)—The Xiamen City government has adopted four preferential policies to encourage overseas investors to fund development of harbor and other infrastructure facilities.

The preferential policies are:

- Foreign-funded enterprises will be exempted from tariffs and industrial and commercial consolidated tax when importing raw materials, loading or unloading equipment, vehicles and other production facilities for harbor construction;
- Foreign-funded enterprises with an operational period of 15 years or longer will be exempted from income tax for five years from the first profit-making day and the income will be reduced to 15 percent for the next five years;
- When overseas investors re-invest their profits in harbor construction they will get 40 percent of their paid up income tax refunded; when investors remit profits abroad, they will be exempted from tax; and
- Investors will enjoy preferential treatment in land-use fees for land used in construction of harbors, good yards, roads and other non-dwelling construction.

Xiamen SEZ To Build Thermal Power Plant

OW1905193790 Beijing XINHUA in English
0944 GMT 19 May 90

[Text] Fuzhou, May 19 (XINHUA)—Xiamen, one of China's special economic zones [SEZ] in Fujian Province, will build a thermal power plant with a generating capacity of 1.2 million kw [kilowatts], in line with its rapid economic development.

The project is expected to be built in two stages.

The first construction stage will see the installation of two generating units each with a generating capacity of 300,000 kw, and auxiliary facilities.

The project is estimated to cost a total of 1.5 billion yuan (about 319 million U.S. dollars), and part of this will be in the form of foreign funds.

Taiwan Investment in Fujian Increases

HK2105020590 Hong Kong SOUTH CHINA
MORNING POST (BUSINESS POST) in English
21 May 90 p 1

[By Geoff Crothall]

[Text] Taiwanese investment in the coastal city of Xiamen has increased by 113 percent in the first four months of this year compared with the same period last year, says the city's vice-mayor, Mr. Jiang Ping.

In response to the influx, the city plans to open two new industrial zones as well as a scientific and technical development zone and to speed up development of the Huli industrial zone's second phase comprising four square kilometres.

It has approved 52 projects with a total investment of U.S. \$130 million.

About 43,000 Taiwanese businessmen visited Xiamen in the first four months of this year, an increase of 84 percent over the same period last year.

The first phase of the Huli industrial zone, consisting of three square kilometres, was fully occupied by the end of last year. This led to speculation that Xiamen's investment boom could be stalled by the lack of land available for development.

"We still have a lot of land available," Mr. Jiang said. "It is just that we have not been able to develop it fast enough to cope with the influx of new investors."

Construction work on the one square kilometre science and technology zone and on the Fanghu and Xiaodongshan industrial parks is being intensified in a bid to get new Taiwanese investment into production as soon as possible, he said.

Many of the new projects involve tertiary industries such as finance, telecommunications, hotels and travel services.

Xiamen's two Taiwanese investment zones in Xinglin and on Haicang Island, which will offer preferential land use rights and tax breaks to businesses, are both well under construction.

Haicang will be the site of a leading Taiwanese industrialist, Mr. Wang Yung-ching - a massive \$7 billion infrastructure and industrial project based around a naphtha cracker to be built by Mr. Wang's Formosa Plastics conglomerate [as published].

Meanwhile, a consortium of 11 Taiwanese companies have signed an agreement to set up an automotive parts factory in the northeastern port of Tianjin with a total investment of nearly \$60 million.

AGRICULTURE

Monopoly Management of Farm Supplies Successful in Hunan

90CE0154A Changsha HUNAN RIBAO in Chinese
9 Apr 90 p 2

[Article by HUNAN RIBAO reporter Liu Lin (0491 7792): "A Survey of Monopoly Management of Agricultural Materials in Hunan"]

[Text] "Being Forced To Choose the Best Alternative"

On the agricultural materials market, the popularity of the granular, snow-white demons ammonium hydrogencarbonate and urea, the skyrocketing prices, and the mad rush to buy fertilizer have abated somewhat with time. In 1989 the CPC Central Committee and the State Council decisively issued a resolution instituting monopoly management of agricultural materials, entrusting the primary responsibility for agricultural support to supply and marketing departments. This, in the words of one leading government authority, is the "best alternative that has been forced upon us."

Can this best choice produce optimum returns? Now that a year has gone by, the following facts have relieved peoples' anxieties: in 1989 Hunan supplied 4.91 million tons of chemical fertilizer, 450,000 tons of agricultural pesticides, and 86.67 million tons of plastic film. At the end of August all of the province's 717,900 tons of grain-linked fertilizer had been allocated and transferred to the peasantry ahead of schedule. Not only has the unwelcome tide of indiscriminate price hikes been turned, but under management by the supply and marketing system the selling price for agricultural materials has dropped three percentage points since 1988. As Vice Governor Zhuo Kangning [0587 1660 1337] has said, one year of monopoly management verifies that it has played a positive role in managing the circulation of agricultural materials, stabilizing prices on the agricultural materials market, and limiting the sale of phony or inferior agricultural materials. It has also essentially accomplished our goals of bringing chaos (in market procedures), inflation (excessive price inflation), and fraud (involving phony chemical fertilizers and pesticides) under control.

Problems Facing the "Best Alternative"

The zeal generated by monopoly management of agricultural materials has erupted like a volcano and spurred supply and marketing departments into enthusiastic support for agriculture. The curtain has just opened on the 1990's, a decade which enters bearing all sorts of gratifying good news: party and government leaders and supply and marketing cooperative officials at all levels have been devising new strategies, and purchasing agents have been travelling all over, day and night. As of the end of February Hunan had warehoused 3,341,000 tons of chemical fertilizers, up 48.26 percent over the same period of 1988; 32,700 tons of pesticides, for a 20.6

percent increase; and 6,035 tons of agricultural plastic film, which is far more than we had available in 1989. However, in another respect there are puzzling new difficulties facing the monopoly management system:

Stores of agricultural materials are putting severe pressure on our warehouse facilities, and supply and marketing departments have exceeded their operating loads. By the end of January sales of chemical fertilizers were running 26.25 percent behind the same period of last year, and sales of pesticides and plastic film had dropped off 60 percent and 44.7 percent, respectively. Yiyang County Production Materials Company arranged for 29,000 tons of ammonium hydrogencarbonate, but by 20 February it had sold only 3,000-plus tons and was holding 90 tons of plastic film in stock. Upstairs and downstairs, at the sides of corridors, and everywhere, the company is storing agricultural materials. In the city of Yueyang the various supply and marketing cooperatives stored more than 160,000 tons of ammonium hydrogencarbonate over the winter slack season, and as of the middle third of March they still had more than 120,000 tons languishing in the warehouse. The chief cause of this problem is that the peasants, once inundated with agricultural materials, now have a more balanced attitude. Whether they have money or not, they are now looking on unconcerned, and in any case under the monopoly management system they are not worried that there will be no fertilizer to buy when they need it. In addition, cash shortages and peasant reluctance to put out money for agricultural materials are factors that cannot be dismissed. The departments concerned report that approximately 50 percent of the peasants had some money shortages at spring planting time, and 20 percent or more were seriously short of cash.

There has also been a resurgence of too many people poking their noses into the management of agricultural materials. From January to February in Ningxiang County, more than 200 individual entrepreneurs and township enterprises sold, altogether, 25,620 tons of ammonium hydrogencarbonate, or 27 percent of what was needed in the county for spring planting. Not only did the Ningxiang County government sell the fertilizer, it also mobilized the branch secretary in each village to sell it. Certain township governments bought 50 tons of ammonium hydrogencarbonate at 310 yuan per ton and sold it to the peasants for 390 yuan per ton. Some production plants did not strictly enforce monopoly management policies and gave illegally operating individual entrepreneurs and units free access. Nitrogenous fertilizer plants in a certain county in Chenzhou Prefecture employed fraudulent means to sell ammonium hydrogencarbonate outside the county, with the result that individual entrepreneurs in 11 different areas were interfering in farm materials management. Countywide, supply and marketing cooperatives have sold 87 percent less ammonium hydrogencarbonate than they did during the same period in 1989.

Large stores of agricultural materials ties up the circulation of funds in supply and marketing cooperatives, to

the point that indebtedness causes them to operate at a loss. Last winter up until the end of January, personal circulating funds for agricultural materials commodities in the entire Hunan supply and marketing system amounted to only something over 1 billion yuan, of which bank loans accounted for 710 million yuan. Because of sluggish sales of agricultural materials, the January interest payment amounted to 6.4 million yuan.

A Glimmer of Hope Amidst the Problems

The busy spring planting season is coming, at which time fertilizer use will be at its peak. Warnings from all corners about "monopoly management problems" have raised concern in every level of leadership, and they are now adopting measures to safeguard normal development in monopoly management.

Right now we should focus on resolving two issues: One issue is to handle the relationship between service and monopoly management properly. Monopoly management units should consider service in the cause of agricultural production to be their primary responsibility, and they must not make profit their chief motive. The other issue is to handle correctly the relationship between zeal for the individual and zeal for the plurality. The State Council's "Circular" supplemented two new regulations having to do with compensated services in agricultural technology departments. This illustrates that working on monopoly management is a common responsibility at each level and in each department, and that as we bring the role of supply and marketing cooperatives into play in monopoly management, we must arouse zealous joint support for agriculture in all quarters. Agricultural materials departments must take the initiative to help agricultural technology departments launch compensated transfers of technical services. But to obtain the agricultural materials necessary in this process, the agricultural technology departments must take the initiative to join in stock replenishment plans worked out with local supply and marketing cooperatives. The two must actively take advantage of the benefits of integrating technology with trade. For example, if we set up county-level cooperation between technology and trade interests, the agricultural technology departments must be responsible for technical guidance, and the supply and marketing cooperatives must supply the goods and materials and charge the agricultural technology department a service fee based on a percentage of sales. The supply and marketing cooperative's prefectural or township crop clinic must invite agricultural technologists to visit, hold field consultations regarding sick crops, prescribe remedies, and must compensate them for doing so. The supply and marketing cooperative should also give agricultural technology departments preferential prices on the agricultural materials they need for their crop demonstration and experimentation sites. Yiyang County has established a new agricultural technology extension system with "three-part cooperation and direct involvement of peasant households." This system expects city and county agricultural bureaus and supply and marketing

cooperatives to work together to set up agricultural material and technological service centers. This method is an excellent, effective method from which we should draw a lesson.

In order to pave the way for monopoly management of agricultural materials by supply and marketing cooperatives, we must resolutely ban the resale of agricultural materials by individual entrepreneurs and other units. This will require production plants to enhance self-supervision to ensure the supply of goods. Industrial and business departments, public security departments, and commercial departments should actively supplement and augment their supervision of the agricultural materials market. Agricultural materials departments, in particular, must strengthen management controls, lower operating expenses, strictly enforce pricing policies, and serve the peasants with heart and soul.

We should establish a system in which agricultural loans and down payments for advance purchases of grain are integrated with the supply of agricultural materials. We would transfer the loan monies and down payments to the supply and marketing cooperatives in the form of checks or certificates, and they would arrange to send the chemical fertilizers and pesticides directly to each village and group. The Beisheng area in Liuyang County has adopted the method of having the supply and marketing cooperatives and credit cooperatives, based on the credit plan the county agricultural bank has arranged for each township, coordinate to print up "production material supply coupons." The credit cooperative regards the coupons as cash used specially to purchase agricultural materials, and distributes them to peasants in need of credit. The peasants, in turn, go, coupons in hand, to buy agricultural materials at the supply and marketing cooperatives. The credit cooperatives come up with the credit and the supply and marketing cooperatives send the goods: the two services complement each other. This stimulates peasant initiative for buying agricultural materials. Between 10 March and 20 March alone, peasants there used coupons to purchase 400,000 yuan worth of agricultural materials, up 40 percent over March of 1989.

Right now the spring thunder is rolling, all the plants are leafing out, and the spring assault on the fields has begun everywhere. The supply of agricultural materials has come to the shortage stage. So long as every department cooperates and makes a concerted effort, the work of supplying agricultural materials throughout Hunan will certainly be resoundingly successful.

Improved Grain Market Leads General Price Stability

90CE0181A Beijing JINGJI CANKAO in Chinese
20 Apr 90 p 2

[Article by Wang Ping (3769 1627): "Plentiful Grain Banishes Worry—Near Term Outlook for Anhui Grain Market"]

[Text] Since the autumn of 1989 and the spring of 1990, retail prices have gradually receded throughout the country, and grain markets are stabilizing. In January 1990, grain prices in 24 out of 35 large cities were lower than in December 1989. This included a 1.9 percent decline in grain prices in Hefei.

China has a famous saying: "Grain in the hand brings peace in the heart." The stabilization of grain prices has spurred the stabilization of prices of a series of associated products including food in general and nonstaple food, and has had a positive effect on overall market stability.

List Prices Stable; Market Prices Fall

An overall look at Anhui Province's grain market shows the trend of price changes to be substantially the same as for the whole country, but prices receded somewhat earlier in Anhui than elsewhere in the country. Country fair grain prices began to fall during the last 10 days of December 1989. The transaction price for long grain nonglutinous rice fell from 1.28 to 1.22 yuan per kilogram while state-owned grain prices were stable throughout the province during the same period, and the average price of grain society-wide declined 3.8 percent. Despite the continual rainy and snowy weather during January, which reduced the amount of grain reaching markets, governments at all levels and departments concerned took various actions to insure market supplies so that residents could enjoy a happy lunar New Year. The country fair transaction price for long grain and short grain nonglutinous rice, and for wheat showed sustained decline, the price declining respectively from the previous month by 0.04, 0.05, and 0.05 yuan per jin. This was a greater price decline than for the same period in 1989. During February, grain prices declined further in Anhui Province, society-wide grain prices declining 2.5 percent from the same period in 1989. This included a 15.8 percent decline in country fair market grain prices.

Shortage of Funds: Change in Sales Volume

In 1989, Anhui Province produced more than 24.24 million tons of grain, 1.14 million tons more than in 1988, its autumn grain output setting an all time high record since founding of the People's Republic. The peasants still have a copious amount of surplus grain, so a market source of supply is assured. On the other hand, the peasants are currently short of funds, so they have no choice but to lower the price at which they sell grain to get the cash needed to buy the agricultural means of production. At the same time, "difficulty selling grain" has recurred in some areas, and this is responsible, to a certain extent, for the decline in grain prices. Both the volume of transactions at negotiated prices and the market price have decreased relatively, thereby lowering overall grain price levels throughout society.

Ample Sources of Supply for the Near Term; Grain Prices To Remain Stable

State purchase of a substantial quantity of grain during 1989 is the basis for near term grain price stability. Data from commercial units show that as of December 1989, the amount of grain in storage in the Ministry of Commerce System was 13.6 percent greater than during the same period in 1988. In May, the summer grain crop will go to market, and if the harvest is a fairly good one, chances are that grain prices will continue to fall.

The reduction in the volume of country fair market transactions has lessened the pull on grain prices throughout society. In 1989, grain purchases from country fair markets nationwide decreased 15.3 percent per 100 city and town residents. Following the curtailment of the scale of capital construction, in particular, the decline in the number of civilian laborers entering cities sharply reduced the amount of demand for negotiated price grain, causing the price of country fair grain to recede to a certain extent.

Furthermore, it should be realized that the shortage of funds to buy agricultural by-products will not ease in a short period of time, so peasants will have to sell the surplus grain they have to hand to get cash, possibly causing a further decline in country fair market grain prices.

State Council Urges Purchase, Storage of Grain

OW1805133690 Beijing XINHUA in English
0627 GMT 18 May 90

[Text] Beijing, May 18 (XINHUA)—The State Council has urged governments in all grain-producing areas to spare no effort to purchase and store as much grain as possible during the forthcoming summer harvest, the PEOPLE'S DAILY reported today.

China's 13 major grain-producing areas have expanded the acreage sown to grain by 56,100 ha and that for rapeseed by 28,400 ha this year.

Owing to intensive field management and adequate water supply, grain and rapeseed crops are growing well and bumper harvests are expected, the paper reported.

Deputy Minister of Commerce He Jihai called on all grain-purchasing departments to collect more funds for grain purchases, and set grain price ceilings and a minimum price.

Another front page story reported that the Ministry of Agriculture has dispatched 1,100 officials and technical personnel to rural areas in more than 20 provinces and autonomous regions since last spring with the aim of helping farmers to solve production problems.

Status, Trends in Chemical Fertilizer Production

90CE0181B Beijing JINGJI CANKAO in Chinese
23 Apr 90 p 2

[Article by Trainee Ou Zhengtao (0260 2973 3447):
"The Chemical Fertilizer Industry Today and Tomorrow—An Interview With Ministry of Chemical Industry
Deputy Minister, Chief Engineer Huang Hongning"]

[Text] The 76-year-old deputy minister of the Ministry of Chemical Industry, Chief Engineer Huang Hongning [7806 7703 1337], is one of the founders of China's chemical fertilizer industry. Recently, the correspondent asked him to express his views about the present state of the country's chemical fertilizer industry, trends of development, and existing problems.

[Ou Zhengtao] Nowadays the peasants are still complaining about the difficulty buying chemical fertilizer. How should China's current level of chemical fertilizer production be evaluated?

[Huang Hongning] It should be said without any bashfulness at all that China's chemical industry is now near, and many places have reached, the advanced world level. As of 1989, China had 1,773 chemical fertilizer production enterprises, 18 of which were large chemical fertilizer plants with an annual output of 300,000 tons or more of synthetic ammonia. The plants produced more than 10 different chemical fertilizer products, their output totaling 87.02 million tons, for third place in the world. Costs per unit of product are about the same as in foreign countries. Energy consumption is somewhat higher than in developed countries, the greater consumption occurring most in medium and small enterprises that were built fairly early and in which the equipment is relatively antiquated. The large chemical fertilizer enterprises reached the world advanced level. However, China is a large agricultural country in which a very large quantity of chemical fertilizer is used, so there is currently an annual 20 to 30 million ton shortfall.

[Ou Zhengtao] Some people claim that imported chemical fertilizer is of better quality than Chinese produced fertilizer? What do you think?

[Huang Hongning] I think this is a bias. The chemical composition of chemical fertilizer of the same kind and the same grade is identical, so it has to have the same effectiveness. There are no clear-cut test data showing a qualitative difference between Chinese and foreign chemical fertilizer. China also exports chemical fertilizer. Guizhou has been exporting phosphate fertilizer to Japan for several years.

[Ou Zhengtao] By the year 2000, the country's grain output will reach 500 billion kilograms. How will the chemical fertilizer industry keep up with the development of agriculture?

[Huang Hongning] Of the many factors that increase the country's agricultural production today, chemical fertilizer is responsible for approximately 40 percent of the

increase. As agriculture develops, the demand for chemical fertilizer will become greater and greater, so we propose a three-step increase in total chemical fertilizer production. The first step is 90 million tons in 1990; the second step is between 120 and 130 million tons in 1995, and the third step is 150 million tons by the end of this century, by which time the country will be substantially self-sufficient.

In addition, the proportions of nitrogenous, phosphate, and potash fertilizers must be made more balanced. In developed countries, the ratio is 1:0.5:0.51. We propose a ratio of 1:0.25:0.007 by 1991. China has a scarcity of phosphate and potash fertilizer; therefore, more emphasis must be placed on the development of phosphate and potash fertilizer when drawing up plans in order to produce 7.7 and 3.6 million tons of phosphate and potash fertilizer respectively by the end of the century.

Then there is the problem of increasing the fertilizer utilization rate. Today, farm crops absorb only 30 percent of the effective components in chemical fertilizer. The waste is astounding. If fertilizer effectiveness were to be increased one percent, the annual saving in fertilizer would equal the annual output of a large chemical fertilizer plant. Right now, scientific application of fertilizer, adjusting the amount of fertilizer to the soil's need, is an important way in which to solve the chemical fertilizer shortage.

[Ou Zhengtao] Today and for the next 10 years, what factors will affect the country's chemical fertilizer production?

[Huang Hongning] First is the energy and the raw and processed materials problem. Chemical fertilizer production consumes a large amount of electricity, and the raw materials used in chemical fertilizer production are coal, petroleum, and natural gas. Since spring, the large and medium chemical fertilizer plants throughout the country that use natural gas have all reported an insufficient supply of gas. They cannot get enough for the equipment they have. The situation is like having a large horse to pull a small wagon, so the problem is greatest at newly built facilities.

Production of phosphate and potash fertilizer also faces problems in supply of raw materials. Although there are plentiful phosphate ore mines in China, proven reserves that can be mined amounting to more than 1.5 billion tons, there is very little high grade ore having a phosphate content of 30 percent or more.

The shortage of potash ore is inherently worse. Very little soluble potash salt ore that can be used directly to make fertilizer is available, and most of it is concentrated in the Xishuangbanna Dai Autonomous Prefecture and in Qinghai Province where it is difficult to mine. Therefore, for some time to come, the potash fertilizer shortage will be a fairly thorny problem.

[Ou Zhengtao] What do you think can be done to solve this problem?

[Huang Hongning] There are ways. The energy shortage can be solved by a policy tilt and by increasing the amount supplied, as well as through internal improvements, conserving energy, and lowering consumption, which are also very important. Today, numerous chemical fertilizer plants are using waste heat to cut down on power generation. Using coal and electricity together, and joint production is a fine method.

Salt Production Decreases

HK2105041290 Beijing CHINA DAILY in English
21 May 90 p 2

[By staff reporter Wu Yunhe]

[Text] China produced 3.14 million tons of crude salt in the first four months of this year, representing a decrease of 1.06 million tons compared with the same period a year ago.

Zhang Tiecheng, general manager of China National Salt Corporation, told CHINA DAILY in an interview that the decrease was the result of production control in accordance with slow sales last year.

He said that this year's production target set by the State was 22.5 million tons.

Salt production mainly depends on the weather. Because of favourable weather conditions, the country's gross output of crude salt hit a historical high of 28.02 million tons last year, 23.8 percent more than in 1988, Zhang said.

However, China only sold out 24.36 million tons of salt on both the domestic and overseas markets in the year.

He said that, in order to make a balance between salt production and marketing, China would have to keep production under control.

Meanwhile, the Chinese Government lifted the price of crude salt from 300 yuan (\$63.56) to 460 yuan (\$97.46) per ton at the end of last year.

The government's steps were aimed at increasing the accumulation and floating capital for the salt producers in future production to cope with soaring prices of raw materials on the domestic market, Zhang said.

"We must take into consideration the interests of the salt industry following a shrink in the domestic market for both industrial and edible salt when setting a production target," he said.

In order to avoid a severe salt shortage similar to the one between 1984 and 1988, the government also made a law governing salt industry in March this year, the general manager said.

He said that this is the country's first law aimed at improving the industry's management and protecting its production and marketing as well as the salt resource, since the founding of New China in 1949.

This year's salt production will be moderate, Zhang said.

The second quarter would be the key season for the production in accordance with the weather conditions this year, he said.

With a coastline of about 18,000 kilometres, China has rich salt resources in its coastal areas. Some 100 billion tons of salt deposits have also been proven in the country's interior areas, Zhang said.

Now, there were more than 700 salt producers across the country, mainly in the 10 coastal provinces.

The output value of the salt industry reached at least 2.5 billion yuan (\$530 million) last year, Zhang added.

Farmers' Average Income Increases

OW2405193490 Beijing XINHUA in English
1432 GMT 24 May 90

[Text] Beijing, May 24 (XINHUA)—Chinese farmers earned an average of 168 yuan in the first quarter of this year, an increase of 5.7 yuan, or 3.5 percent, over the same period of last year.

According to a recent survey of nearly 70,000 peasant families in 29 of 30 provinces, municipalities and autonomous regions in the Chinese mainland by the State Statistical Bureau, farm income in the first three months from collectives grew 9.2 percent compared with the same period last year.

Earnings from food processing, catering and other service trades rose.

Farmers in Beijing, Shanghai, Zhejiang and Guangdong earned more than 300 yuan on average during the quarter.

The rate of increase was slower than last year in 12 provinces and municipalities, including Hebei, Liaoning, Anhui and Shandong. Farmers boosted investment in agriculture, rural industry, the building industry and transportation during the quarter.

A bureau official attributed the increase to preferential policies by governments at various levels.

Per Capita Income of Rural Households Reported

HK2505134590 Beijing CEI Database in English
25 May 90

[Text] Beijing (CEI)—Following is a list showing per capita cash income of rural households in the first

quarter of 1990, released by the CSICSC [China Statistics Information Consultancy Service Center]:

(unit:yuan)	1-3/90	1-3/89
Total	204.23	192.33
1. From collective production	24.16	22.13
2. From economic cooperative entity	0.70	1.16
3. From farm produce and by-products	83.09	81.11
4. Other non-production	24.56	23.10
5. From savings and loans	36.47	30.31

Aquatic Products Output Increases in 1st Quarter

OW2705000990 Beijing XINHUA in English
1030 GMT 25 May 90

[Text] Beijing, May 25 (XINHUA)—China's aquatic product output totaled 1.8 million tons in the first quarter, a 6.3 percent increase over the same period last year, according to a Ministry of Agriculture official.

The official said both saltwater and freshwater fisheries registered steady increases during the period.

He attributed the increase to various policies by local governments to encourage production and the stimulation of rising prices during the Spring Festival.

Despite the increased output, some experts have pointed out the growth rate is much slower than for the same period last year. Production has been affected by low water levels in some areas due to drought.

Briefs Detail Cotton Venture, Farmland Protection

OW3005095690 Beijing XINHUA in English
0811 GMT 30 May 90

[Text] Beijing, May 30 (XINHUA)—Today's news briefs:

Cotton Venture

The Xiangfa Cotton Textile Corporation, a joint venture between the Wuzhou Cotton Textile Mill, Guangxi International Trust and Investment Corporation, Guangxi Textile Import and Export Company and two Hong Kong companies, was set up and put into operation in Wuzhou City, Guangxi Zhuang Autonomous Region in the middle of this month.

The joint venture, with 300 employees, involved a total investment of 55 million yuan.

All of the products turned out by the joint venture, which will be managed by the Hong Kong partners, will be exported.

Farmland Protection Zones

Farmland protection zones have been established in 11 prefectures and cities in east China's Zhejiang Province.

The aim is to halt erosion of farmland in the province.

It is expected that by the end of this year the area of farmland listed in protection zones in the province will reach 1.33 million ha, accounting for 80 percent of its total farmland.

Good Harvest of Rape Expected

OW2105181290 Beijing XINHUA in English
1342 GMT 21 May 90

[Text] Beijing, May 21 (XINHUA)—A new variety of hybridized rape planted in the Yellow, Huai and Yangtze River valleys is growing well and a good harvest of the crop is in sight this year, barring natural disasters.

A total of 466,000 ha of land was planted with the hybridized rape last year in Shaanxi, Henan, Jiangsu, Hubei, Guizhou and Anhui Provinces and the Guangxi Zhuang Autonomous Region.

Experts estimate that the crop output will be increased by 30 percent per unit.

The new variety, "Qinyou No. 2," was developed by Li Dianrong, a research fellow at the Shaanxi Provincial Agricultural Scientific and Education Center. He won a national medal for it in 1987.

Li has spent three years promoting this new strain and training more than 3,000 people to grow it.

Growth Noted in Tobacco Industry

HK2105042490 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 21 May 90 p 1

[By staff reporter Huang Xiang]

[Text] China's tobacco industry is enjoying booming sales overseas but will have to combat a sluggish domestic market for the rest of the year, BUSINESS WEEKLY has learned.

Tobacco leaf exports amounted to 9,822 tons in the first four months of this year, more than double last year's figure for the same period.

According to the China National Tobacco Corporation (CNTC), the figure represents the biggest increase ever registered in the country's tobacco exports.

A corporation official attributed the growth in exports to a bigger market share in the Soviet Union and other East European countries.

Besides tobacco leaf, the country exports small quantities of Chinese herbal cigarettes, mostly to Japan and other Asian countries.

The official also said there had been a sharp decrease in cigarette imports—down 41.7 percent to 8 million cartons of cigarettes (one carton of cigarettes contains 200) during the four months.

China imported 43.5 million cartons of cigarettes last year to cater to foreign tourists and business people.

However, few in the industry, which generates the lion's share of tax for the State, expect any substantial increase in domestic sales.

Cigarette output reached 2.56 billion cartons in the first four months of the year, up 5.2 percent from the same period last year.

The industry plans to produce 7.5 billion cartons of cigarettes this year, turning in 27 billion yuan (\$5.7 billion) in profits and taxes to the State treasury.

But experts believe output may exceed 8 billion cartons and sales will be no more than 7.25 billion.

They say the market is becoming more competitive.

New Investment in Small Chemical Fertilizer Plants

OW0406123290 Beijing XINHUA in English
1005 GMT 4 Jun 90

[Text] Beijing, June 4 (XINHUA)—China plans to invest 800 million yuan (170 million U.S. dollars) in the technical transformation of 350 of its small chemical fertilizer plants during the Eighth Five-Year Plan (1991-95) to reduce energy consumption and increase production.

The funds will be used to popularize new heat recovery technology developed by the Shouguang Chemical Fertilizer Plant in Shandong Province.

The country's 1,070 small chemical fertilizer plants annually produce more than 46 million tons of chemical fertilizer, 50 percent of total national production. But the plants are equipped with out-dated machinery and technologies which cause a great deal of waste.

The Chinese Ministry of Chemical Industry plans to invest 30 million yuan (6 million U.S. dollars) this year in a pilot project aimed at popularizing the new technology over the next five years.

Cotton Cultivation Expands in Major Production Areas

OW0606055390 Beijing XINHUA in English
0158 GMT 6 Jun 90

[Text] Beijing, June 6 (XINHUA)—China has planted 5.34 million hectares of cotton this year, 130,000 hectares more than last year, according to today's ECONOMIC DAILY.

Cotton cultivation has expanded in most of China's major production areas, including Shandong, Hebei, Henan, Jiangsu, Hubei, Anhui and the Xinjiang Uygur Autonomous Region.

Hydropower Venture Planned for South

HK3005015290 Beijing CHINA DAILY in English
30 May 90 p 2

[By staff reporter Huang Xiang]

[Text] State and local investors are about to set up the country's first joint venture to tap water resources in south and southwest China.

The establishment of the China Nanfang Electricity Corporation is seen by experts as one of the industry's major moves to split investment between central and local governments.

Headquartered in Guangdong provincial capital of Guangzhou, the company includes four investment departments from Guangdong, Guangxi, Yunnan and Guizhou, and the State Energy Investment Corporation (SEIC), which is the principal State financier of power projects.

With an initial capital of 50 million yuan (\$10.6 million), the company is expected to step up efforts in developing much of the local water resources.

Water resources in the region represent more than a quarter of the country's total exploitable water resources, while coal is so scarce that any large-scale exploitation is economically inviable [as published].

A SEIC source said it used to be the case that capital construction costs for major power works were solely provided by the State treasury.

A major hydropower station may take eight to 12 years and up to hundreds of millions yuan to complete—a heavy burden to any State investor.

According to the source, the State investor is generally entitled to use between 10 to 15 billion yuan (\$2.12 to 3.19 billion) in launching power undertakings every year.

Since 1988 SEIC has collected 5.6 billion yuan (\$1.2 billion) in local and overseas capital, of which local funds equalled 30 percent of the total State power investment.

In the case of this new venture, the State investor and the prosperous Guangdong Province will provide most of the funds to develop water resources, most of which are in the three other regions.

The SEIC official said Guangdong Province alone, whose industry has been hampered by ever-worsening power shortages, may supply up to 30 percent of the fund.

The ownership of any major power undertakings of the company will be shared according to investment percentage.

In the past the State has only been responsible for investment rather than for sharing the ownership of any particular project.

"We do not want the money spent in ways we do not agree with," said the SEIC official.

Anhui Province Expects Good Wheat Harvest

OW0406202090 Beijing XINHUA in English
1431 GMT 4 Jun 90

[Text] Hefei, June 4 (XINHUA)—Anhui Province, one of China's leading wheat producers, is expected to reap seven billion kg of wheat this summer, a 10 percent growth over last year.

The province reported decreases in summer crop output in 1988.

This year Anhui has expanded the area of land planted with summer crops by 33,000 ha and increased the application of fertilizer.

The province also sent more than 1,000 agro-technicians to rural areas to upgrade low-yielding farmland.

In addition, it has allocated an additional 100 million yuan to promote agro-technology.

Large Increase in Rapeseed Expected in Anhui

OW0506214490 Beijing XINHUA in English
1407 GMT 5 Jun 90

[Text] Hefei, June 5 (XINHUA)—Anhui Province in east China is expected to harvest 932,000 tons of rapeseed this summer, up 36 percent over last year's figure.

A local official said that the output will account for 15.5 percent of the country's total.

This year the province expanded the area of land for rape planting by 46,000 ha and increased fertilizer application.

The popularization of hybrid rapeseed is another reason for this year's expected bumper harvest. The province trained 76,000 farmers and sent 4,600 agro-technicians to introduce the hybrid rapeseed "qinyou no. 2" in rural areas earlier.

The area sown with the hybrid rapeseed expanded from 5,733 ha to 84,000 this year.

Hubei Hog Procurement Price Noted

40060050C Wuhan HUBEI RIBAO in Chinese
15 May 90 p 2

[Summary] At the end of March, the procurement price for hogs in Hubei Province was 3.59 yuan per kilogram on average, an 8-percent decrease from the procurement price of 3.90 yuan during the same period in 1989.

Surge in Hebei Rural Savings Analyzed

90CE0199A Beijing ZONGGUO JINGJI XINWEN
in Chinese 2 Apr 90 p 2

[Article by Cao Yewei (2580 2814 0251) of Hebei's Agricultural Bank: "An Analysis of the Surge in Rural Savings"]

[Text] Since the beginning of this year, savings deposits in Hebei's rural communities have been increasing at an extraordinary rate. In January and February alone, savings in the province's banks and savings cooperatives have increased 1.84 billion yuan, 73.94 percent and 133.12 percent more than in the same period in 1988 and 1989, respectively. It is very important that we find the causes of this surge in savings and formulate appropriate measures to deal with it. This article addresses the following issues:

Causes

1. In 1988 the state implemented a general policy to "improve the economic environment and rectify the economic order," which managed to cool the overheated economic development, control the issuance of money, and stabilize prices. After two rounds of panic buying, purchase power is beginning to dissipate, and the people's fear of inflation is subsiding. As a result, instead of fighting over goods and rushing to build houses, many peasants are putting their money into savings. Because prices are stabilized and even beginning to drop, fewer goods are taken out of circulation in the rural communities, but a lot of credit is withdrawn.

2. The high rate of inflation in the last few years has boosted the income of some of the peasants. Too much of the cash on hand has been turned into operating funds for production and circulation. Many people take part in gathering funds to set up enterprises, operate individual businesses, and lend and borrow money on their own. They have diminished the state's ability to accumulate funds and control fund input through the banks and credit cooperatives. Last year, the state tightened credit, made structural adjustments, added new taxes, adjusted the tax rates and so on. These comprehensive rectification measures have yielded positive results, and allocation in society is now more reasonable. In the process, township enterprises have been severely tested, and, because comparative advantages play a role in the economy, the development of individual industrial and commercial enterprises is faced with many restrictions and is beginning to slow down. In particular, lawless individuals who reap illegal profit by reselling goods at exorbitant prices believe that things will soon change, that the game is over, and so they put things on hold and wait. Meanwhile, peasants who have been gathering funds to buy stock and lending and borrowing money on their own are changing their minds too. As a result, cash, newly earned cash income, and money that has been turned into operating funds are suddenly "restored" to the savings accounts. Surveys showed that the extraordinary increase in savings deposits which began last year is

concentrated in city-level counties where the commodity economy is better developed. In 1989, savings deposits in agricultural banks in city-level counties such as Qingxian, Cangxian, Renqiu, and Hejian more than doubled from the previous year, and this trend is still gaining momentum so far this year. In January and February alone, savings deposits in agricultural banks in Yecheng, Xinji, and Jinxian increased by 14.98 million yuan, 13.25 million yuan, and 10.21 million yuan, respectively, 12.54 million yuan, 12.52 million yuan, and 10.22 million yuan more than during the same period a year ago. When one individual industrial and commercial unit which was in the garment business in Roncheng's Wangchuan went out of business this year, it made a one-time deposit of 270,000 yuan in the local agricultural bank.

Problems

1. At present, the interest rate on savings is generally higher than the profit to investment ratio of the industrial, commercial, and township enterprises in China, and this has an adverse effect on production, circulation, and even the development of the entire economy. In a certain sense, the surge in rural savings deposits is the result of the peasants' rational choice after they compare the relative advantages of interest rates and profit ratios. But, on the one hand, because the interest rate on savings is relatively high and there has been a huge increase in total savings, the agricultural banks and the credit cooperatives especially are facing higher costs, lower profits, and mounting losses. Statistics show that 57 percent of Hebei's rural credit cooperatives incurred losses in 1989, and in Shijiazhuang, where savings deposits had been increasing fairly rapidly, more than 80 percent of the county and prefectural credit cooperatives were losing money. This makes the banks' and cooperatives' normal operation very difficult. On the other hand, because of the contrasting "high interest rate and low profit ratio," most commercial enterprises, especially the primary-level supply and marketing cooperatives in the rural areas, are unwilling to buy more merchandise and keep a healthy stock of goods. Individual commercial and industrial enterprises are facing bankruptcy, shutting down, and putting things on hold, and therefore the industrial enterprises' finished goods are piling up. Many township enterprises have gone out of business. Default among enterprises is increasing, all sorts of credit relationships in society have deteriorated, and the market slump is getting worse. This situation has given rise to a vicious cycle: More credit is withdrawn from circulation (manifested in the surging savings deposits)—retail sales of goods drops—fewer goods are taken out of circulation—industrial and commercial enterprises' and businesses' inventory of finished goods mounts—huge sums of funds are tied up—enterprise default increases—society's disposable funds decrease. This demonstrates that the surge in savings deposits only reflects that the present interest rates have deviated from the law of value and are way out of line. Much of the purchasing power which can be satisfied now is being held back, which

further exacerbates the weak market, increases enterprises' burden, and reduces fiscal income; it will put more pressure on the market later, and it prevents society's funds from circulating properly.

2. The surge in savings deposits conceals the real relationship between supply and demand in society as prices are stabilized. Of course, after a period of rectification and improvement, the demand generated by overconsumption and excess investment is curbed and prices are stabilized, but we must realize that the present extraordinary phenomenon is not the result of ample supply of goods and materials—we still have a seller's market where supply is smaller than demand and everyday necessities are still in short supply. Rather, it is a temporary phenomenon caused by political will, administrative measures, and the banks' high interest rate that divert the consumption tendency. For this reason, this surge has no market foundation, and behind it lies a potential credit crisis. Nor do the peasants have a firm belief in saving money; they still worry about more price fluctuations. Especially because of the volatile international situation, there are many unpredictable elements that threaten to trigger a sudden run on banks. Therefore, in view of today's market slump, industrial production slide, and the fact that many township enterprises are going out of business, we should not be too optimistic about the surge in savings deposits; instead, we should take appropriate measures to smooth out various economic relationships.

Guangdong Sets Up 3 Agricultural Technology Zones

OW2205203090 Beijing XINHUA in English
1359 GMT 22 May 90

[Text] Guangzhou, May 22 (XINHUA)—Since 1986, Guangdong Province in south China has selected three pieces of land to develop technology-intensive agricultural zones.

The three zones, located in the province's plain, coastal, and hilly areas, mainly produce for Hong Kong, Macao and world markets.

The Beijiao Zone in Shunde County in central Guangdong is mainly engaged in feed and food processing for animal husbandry and fishery. Concentration is currently on poultry and eel cultivation, but there are plans to import a production line to cultivate rare flowers.

When the Beijiao Zone is completed, it is estimated that output valued at more than 100 million yuan a year will be produced.

The Zhaoqing City Zone in western Guangdong is mainly engaged in forestry production as well as raising mushrooms and producing pine resin.

The Shantou City Zone in eastern Guangdong centers on fishery. The zone has 500 hectares of fish and shrimp

ponds. There are plans to build facilities to raise shrimp fry, a feed plant, and processing, freezing and packaging facilities in the zone.

Hebei Afforestation

40060050B Shijiazhuang HEBEI RIBAO in Chinese
10 May 90 p 1

[Summary] As of 15 April, Hebei Province had afforested 1.11 million mu, a 7.2 percent increase over the same period in 1989.

Hebei Increases Oil Procurement Prices

40060049E Shijiazhuang HEBEI RIBAO in Chinese
6 May 90 p 2

[Summary] On 1 April, Hebei Province raised the procurement price of soybean oil from 165 yuan to 215 yuan per 50 kilograms; soybeans (third grade) from 34.5 yuan to 45 yuan; unshelled peanuts (third grade) 42.27 yuan to 53.15 yuan; shelled peanuts (third grade) 59.08 yuan to 74.23 yuan; sesame (second grade) 72.54 yuan to 90.38 yuan; sunflower seeds (third grade) 37.20 yuan to 47.23 yuan; and cottonseeds (first grade) 16.21 yuan to 21.25 yuan.

Heilongjiang Farm Income, Expenses

40060050A Harbin HEILONGJIANG JINGJIBAO
in Chinese 9 May 90 p 1

[Summary] According to a survey of 2,240 rural households in 28 counties in Heilongjiang Province, in the first quarter of 1990 per capita cash income of farmers was 191 yuan (excluding income from savings and loans), an increase of 44.04 yuan or 29.97 percent over the same period in 1989; after deducting cost of living and production increases, real income increased 18.26 percent. In the first quarter, per capita farmer cash expenses were 256.26 yuan, an increase of 38.32 yuan or 60.2 percent over the same period in 1989.

Grain Self-Sufficiency Sought in Inner Mongolia

90CE0087A Beijing NONGYE JINGJI WENTI
[PROBLEMS OF AGRICULTURAL ECONOMY]
in Chinese No 3, 23 Mar 90 pp 55-60

[Article by Zhang Gangyan (1728 6921 1750), Zhou Xiaodong (0719 2556 2639), and Hao Ying (6787 1758), Political Study Office, CPC Committee of the Inner Mongolia Autonomous Region: "Studying Measures To Achieve Basic Grain Self-Sufficiency in Inner Mongolia"]

[Text] Importance of Achieving Basic Grain Self-Sufficiency

Achieving basic grain self-sufficiency in Inner Mongolia was one of the three struggle objectives of the near future put forward by the autonomous region's party committee at the Fifth Session (enlarged session) of the region's Fourth People's Congress in 1987. As viewed

from the standpoint of the autonomous region, the grain situation is an extremely serious matter, and long-term shortage of grain has already restricted the development of the autonomous region's national economy.

The serious shortage of grain has restricted developments in the livestock industry, in forestry, in foodstuff industries that use grain as raw material, as well as in the light industry. For any vigorous development of animal husbandry grain is an essential element. Without supplemental supply of concentrated feed, productivity in the animal husbandry industry will decline. In the last few years, the serious shortage of grain in the region made it impossible to provide the livestock breeding industry with sufficient feed. In the livestock breeding areas, the problem of "overgrazing of the prairie, desertification of the land, livestock that had been strong in summer, fat in autumn, becoming emaciated in winter, and dying in spring," and the very large fluctuations in the development and the slow-down in the growth rate of the poultry raising industry that uses grain as feed, all these problems are bound up with the problem of grain shortage. In the 10 years from 1978 to 1988, the region also suffered several times disastrous declines in hog production, for which shortage of grain must be blamed as one of the major reasons.

Development of such branches of the light industry that use grain as raw material suffered equally serious setbacks. The 66 branches of light industry in the region that use grain as raw material require for normal production (according to production capacity) 350 million kilos of grain, but in the last few years, these industries have been able to obtain only 240 million kilos per year, which left them 110 million kilos short. As a result, the proportion of output value of these industries in the total output value of the light industry declined from 23.4 percent in 1981 to 3.8 percent in 1988.

Large imports of grain exerted on this region enormous financial pressures and difficulties. In the last few years, the region has had to disburse an annual average of almost 100 million yuan only on account of operational, shipping, and sundry expenses. In 1987 alone, calculated for the imported quantity of 1.18 billion kilos of grain, the cost price, operational, shipping, and sundry expenses amounted to over 600 million yuan (in this sum, operational, shipping, and sundry expenses amounted to a total of 130 million yuan), which came up to about one-third of the annual revenue of the region. This was a heavy burden indeed for the local finances, which originally already were in straightened circumstances. If it should prove impossible to achieve a basic self-sufficiency in grain, it will also make it impossible to achieve the struggle objective for the near future, namely to raise the rate of self-sufficiency in local finances.

Insufficient supplies of grain will directly affect the level of grain consumption, and will have a detrimental effect on efforts to improve the structure of the people's food consumption, as it will also adversely affect the development of the foodstuff industry, light industry, animal

husbandry, and other such industries that are closely bound up with the people's livelihood. In this region, an average of only 295.6 kilos of grain are available per person, which is lower than the national average for the same period, namely 370 kilos. It is 196.53 kilos less than the average of 492.13 kilos available per capita for the same period in Heilongjiang Province and seven other grain-exporting provinces, and far below what is available in the world's developed countries.

In the 40 years since the founding of the PRC, and especially since the Third Plenary Session of the 11th CPC Central Committee, production of grain in this region, as all over the country, had developed very rapidly and had reached new heights. In 1988, grain production reached 7.383 billion kilos, which was a historical record for this region. We have to affirm that the broad masses of peasants and the cadres of various nationalities engaged at the agricultural front have exerted themselves to the utmost to resolve the grain problem in our region. However, an overall analysis of the grain situation shows clearly that after several tens of years of development, grain production in our region is still low and unstable. In 19 out of the 42 years from 1947 to 1989, grain production was less than in the previous year. In eight of these years, the declines exceeded 500 million kilos, and there was a differential in yield between good and poor harvests of over one-third. The largest drop in yield occurred in 1957, when it was 32.6 percent, and the smallest drop occurred in 1949, when it was only one percent.

The contradiction between grain supply and demand is extremely sharp. If it is impossible to achieve self-sufficiency in grain, the balance has to be made up by large-scale imports. This region changed from being a net export area to a net import area during the time of the Third 5-Year Plan. During the 21 years from 1947 to 1968, the region exported a total of 6.694 billion kilos of grain, exporting at an annual average of 304 million kilos. During the 20 years from 1969 to 1988, it imported 18.145 billion tons of grain, importing at an annual average of 908 million kilos. This shows that whatever the region had contributed to the state in the first 21 years was taken back in the latter 20 years, while still owing 11.451 billion tons on this account. Due to population increases and other factors, the gap between grain supply and demand for grain is steadily widening, and the general trend is one of a further expansion of grain imports. Especially in the last few years, consumption of grain greatly increased, and aggravated the supply-demand contradiction. In the eight years from 1979 to 1987, total grain production in the region (grain that became trade grain) was 47.4 billion kilos, while social consumption was 57.1 billion kilos, thus leaving a gap of 9.7 billion kilos. On the average somewhat over 1 billion kilos of grain were imported every year from outside the region. In two years, 1980 and 1987, net imports exceeded the 1.5 billion kilo mark. The extremely rapid population increases exceeded the rate of grain production increases, and the per capita availability of grain

declined. The per capita availability of grain was: during the First 5-Year Plan 435 kilos, during the Second 5-Year Plan 350 kilos, during the Third 5-Year Plan 300 kilos, during the Fourth 5-Year Plan 275 kilos, and during the Sixth 5-Year Plan 286 kilos.

This shows that the strong efforts to develop grain production and to achieve basic grain self-sufficiency in the region will be a tremendously difficult task, a task of extreme urgency and also a task that cannot be evaded.

Achieving Basic Grain Self-Sufficiency, Criteria and Feasibility

At present, much argument is heard in various social circles about the computational criterion for this region's basic grain self-sufficiency. There are by and large three opinions: First, to compute according to a standard of 350 kilos per person; second, according to the national standard of 400 kilos per person; and third, according to the standard of 500 kilos per person, as generally adopted internationally. In our opinion, the standard for this region's basic grain self-sufficiency must basically satisfy three types of grain requirements of peasants and other people: grain needed for the livelihood of the nonagricultural population, grain needs of the livestock and poultry raising industries, and grain requirements of industrial production. Computed on this basis, the standard for this region's basic grain self-sufficiency should be an average of 400 kilos per person.

With a population increase of 250,000 per year, taking 1988 as basic period, and assuming for the years 1987, 1988, and 1989 an average level of grain production of 6.735 billion kilos as basic figure for our computation, it would require 8.732 billion kilos of grain to achieve basic grain self-sufficiency by the year 1992; i.e., an increase of 1.997 billion kilos, and an annual increase rate of 6.71 percent. To achieve basic grain self-sufficiency by the year 1995 would require 9.032 billion kilos of grain; i.e., an increase of 2.297 billion kilos, and an average annual increase rate of 4.28 percent.

During the period from 1947 to 1989 the average rate of annual increases of our region's grain production was 3.15 percent. During the First 5-Year Plan period it was -4.22 percent; Second 5-Year Plan it was -9.37 percent; during the period of adjustments it was 6.31 percent; Third 5-Year Plan it was 2.43 percent; Fourth 5-Year Plan it was 3.46 percent; Fifth 5-Year Plan it was -6.17 percent; Sixth 5-Year Plan it was -4.32 percent; and from 1986-1989 it was 8.66 percent. During the periods of adjustments, in the Sixth 5-Year Plan, and in the Seventh 5-Year Plan, the rate of grain production accelerated. We must also consider that presently the region's agricultural structure is irrational and will require quite some time for its readjustment, and also consider that agricultural investments cannot be substantially increased within a short time, also that it will be a lengthy process to improve agricultural production conditions and raising the level of applied science and technology, and of operational management. Therefore,

we believe: 1) To achieve basic grain self-sufficiency within five years (by 1992) will present certain difficulties. To achieve basic grain self-sufficiency by 1992 would require an annual grain production increase rate of 6.71 percent, far higher than historical average levels, also higher than grain production development during the adjustment periods, and higher than the increase rate of the Sixth 5-Year Plan period. Only in the first four years of the best grain production period of the Seventh 5-Year Plan was the rate of production increases higher than this figure. However, in the Seventh 5-Year Plan period the high increase rate of grain production was to a large extent of an extraordinary nature. In our region's future grain production, it will hardly be possible to maintain this increase rate, unless there are important breakthroughs in critical factors that are now impeding grain production. 2) A plan to increase grain production at the rate of 4.28 percent, achieving a per capita availability of 400 kilos and basic grain self-sufficiency by the year 1995, is feasible. Although the annual increase rate of 4.28 percent is somewhat higher than the historical average level, it is lower than the rate in the Sixth and Seventh 5-Year Plan periods. Moreover, since the establishment of the autonomous region 40-odd years ago, there are 17 years in which the increase rate of total grain production exceeded four percent.

Opinion on Policy for Achieving Basic Grain Self-Sufficiency

A. The Guiding Ideology of Achieving Basic Grain Self-Sufficiency. The entire party and all people must fully understand the importance of grain for the national economy and for the people's livelihood, and must truly foster an ideology, which has as its foundation a concern for agriculture. Agriculture is the foundation of the national economy. Grain is the foundation of the foundation. This "doctrine of the two foundations" is an unshakable axiom. To achieve grain self-sufficiency requires that the local leadership at all levels clarify and affirm its understanding of agriculture. It demands that the strategy for the development of the local economy, which presently is biased toward industry, be changed, so as to correctly deal with the developmental relationship between agriculture and the other industries. Attention must be paid to restrict the development of other industries to a growth rate that will not exceed what agriculture can tolerate. Attention must be paid to truly foster a guiding ideology that accepts agriculture as fundamental concern, that unswervingly gives agricultural production, especially grain production, priority in all projects to be undertaken. Clear and specific provisions must be made regarding such important questions as agriculture's share in investments, in the rate of permitted increases, etc. The supply of goods and materials must be adjusted. Policies regarding capital constructions, loans, commodity prices, education, science and technology, and the treatment of basic technical cadres should be slanted in favor of agricultural development. Policies must be specifically formulated to

support agricultural development, and enforcement measures must be implemented in a practical and effective manner.

It must be correctly understood that a policy for economic construction will be implemented in an all-round manner which will promote a "diversified economy with priority for forestry and animal husbandry." All developmental measures will truly have to suit local conditions and will have to harmoniously coordinate forestry, animal husbandry, agriculture, and industry. The policy for economic construction which promotes a "diversified economy with priority for forestry and animal husbandry" has been formulated by starting out from the special characteristics of this region's natural conditions, nationalities, and economic conditions. Consideration was not only given to economic returns, but also to ecological and social benefits. In actual fact, this policy of economic construction does not at all discriminate against grain production, but is consistent with an emphasis on grain production. Therefore, from now on, whenever forestry and animal husbandry will be receiving conspicuous attention, it will be necessary at the same time to give important attention to grain production, to afford grain production its due place in the order of things, to formulate such plans and measures for the development of grain production as are suited to the conditions of the Inner Mongolian region, and, furthermore, to persist in these measures.

Any solution of the grain problem in our region must cover both wet and dry farming, without preference for one or the other. Irrigation covers 20 percent of presently cultivated land, over 17 million mu, but this land produces about half the total amount of grain being produced in the region, and it is on this land that we would mainly rely for increased production of grain. We must highly value the region's precious water resources. While carefully managing and effectively preserving the present irrigated land, we must gradually expand the area of irrigated land as conditions permit, and fully utilize this potential for increased production. At the same time, we must pay attention to the development of agriculture in dry areas. Eighty percent of the region is dry land, and a good or bad harvest from this land determines the autonomous region's grain situation. The declines in production in 1980 and 1986 by 1.15 billion and 755 million kilos, respectively, were also declines on the dry land. To mitigate the grain shortage, which is worsening almost daily, every country of the world makes it a focal point of agricultural development to develop dry farming. Therefore, all the region's various localities must foster a guiding ideology that comprises concern for both wet and dry farming.

To develop grain production, we must employ scientific methods of cultivation and go the way of raising per unit area yield and of intensive farming. We must direct full attention toward reliance on scientific and technological progress, must actively spread the use of production increase techniques, carry out intensive and meticulous farming, and scientific cultivation. This region has

indeed already given serious attention to the introduction of scientific and technological methods in the last few years. In 1988, the agriculture departments of the autonomous region spread the application of cultivation on a standardized high-yield pattern over an area of 7 million mu, cultivation with the use of plastic film covers over an area of 1.3 million mu, and improved fertilizing recipes for an area of 4 million mu. By these three measures alone, grain production was increased by 600 million kilos. Various localities produced model cases of increased production due to the application of science and technology. However, present effectiveness from introduction of scientific and technological methods for increased production throughout the region is still very low, only a little over 10 percent, while it is 30 percent for all of China, and 60-80 percent in the developed countries; there is indeed a considerable disparity here.

Our guidance must definitely be a classified guidance on realistic principles. The proposal to achieve basic grain self-sufficiency is meant for the entire region. When specifically applied to certain localities, it must not be a stereotyped rule equally applied in every place. We must firmly adhere to a realistic principle and appropriately integrate enthusiasm, initiative, and a scientific attitude.

In the development of grain production we must truly foster a spirit of self-reliance, of arduous struggle, and particularly also of relying on one's own strength to resolve difficulties. We must overcome the dependent mentality of "procrastinating, relying on others, and demanding of others." At present, we must pay attention to, and firmly take in hand, the organization of investments of capital and labor from among the peasants. We must unceasingly strengthen farmland capital construction, so as to create an excellent social environment and lay a firm material foundation for a long-range solid development of grain production.

B. Deepening the Rural Reform, Further Consolidation and Perfection of the Contracted Output-Related Household Responsibility System. The output-related responsibility system, predominantly applied in the case of households, is well suited to our region's present stage of development of the rural productive forces. It also accords with the wishes of the broad masses of peasants. We shall continue to firmly uphold it as our long-term irreversible policy. However, we have to perfect it as soon as possible, to overcome its defects that adversely affect development of the productive forces, so as to fully utilize the advantages and potential of household operations and to promote the steady development of grain production.

The system of contracting for land is the core of consolidating household operations, and while continuing to firmly and irreversibly upholding this system, we must as soon as possible establish and perfect a system of land management and utilization, for an increased sense of responsibility. In the near future we must, therefore, focus on the following five points of action: 1)

Strengthen the collective ownership of the land, and clarify and protect the legitimate use rights and operating rights of the peasants. We must earnestly implement the spirit of the Central Committee policy as to length of time allotted under the land contracts; the basic period of 15 years may be extended for a longer period. 2) We must amplify the content of the land contract, and strengthen the system of contract management. While firmly upholding the collective ownership of land, we must further clarify the lessor-lessee relationship and the mutual rights and obligations, and also amplify provisions regarding investments in farmland, construction needs, obligatory grain sales to the state, agricultural taxes and right to retain part of the harvest for private disposal, services to the collective, etc., so as to impart to the lease contracts more normative character and greater legal significance. 3) We must earnestly resolve the problem of scattered locations of fields. All localities must strengthen the collective ownership of their land resources, intensify propagandistic and explanatory work, actively organize and guide earliest possible land readjustments by means of exchanges at equal value, starting out from the need to benefit production, cultivation, and land management. 4) We must institute a two-type farmland system. While maintaining without change the original lots of arable land contracted for by peasant households, we must delimit export grain fields and responsibility fields [fixed-output-quota farmland]. The proportion of the two types of farmland is generally not to exceed the 4 to 6 ratio. 5) Newly opened up land must not be shared out equally for contracting by all households, but must be leased in proper lease form to farming experts, to be farmed according to the principle of right-scale cultivation, and under orders to produce grain according to the state plan. We must perfect a two-level operational system. While consolidating and upholding household operations, we must also, as an important task, restore and develop collective economic organizations at the village level or commune-district cooperative economic organizations. This system will serve to establish and develop agricultural socialization, and will be foundation for the full utilization of the advantages of household operations as well as of available potential. For this purpose we must: First, strengthen and perfect the development of an organizational structure of collective economy, provide it with a well-selected leadership and managerial personnel, amplify necessary rules and regulations, so that it can effectively fulfill its management, accumulation, operational, and service functions. Second, we must suit measures to local conditions when utilizing the advantages of local natural resources and when developing diversified economy. We must gradually enhance collective economic strength, set up a perfect and variegated service organization; and furthermore, have it supplement and continuously raise service capacities, gradually realize socialization of production operations, render systematic service, attend to all affairs which one family or one household cannot alone accomplish, and establish a true bond between peasants and market. Third, we must strengthen the "unison" function of the collective

for those production activities that require joint action. Here, we must carry out centralized management and coordination, enhance management of all collective or common property, equipment, assets, and contracts. We must actively support and assist in the development of special cooperative organizations and technical associations which the peasants will want to set up by themselves.

We must actively develop appropriate right-scale operations. The cultivation of equally shared-out small pieces of farmland are a serious disadvantage to the employment of machinery and the application of scientific and technological measures, and such operations have become a major obstacle for efforts to reduce production costs and to enhance productive forces in agriculture. In our efforts to increase quantities and profits in grain production we must go the road of appropriate right-scale operations; we must apply a mutually consistent scale according to which land, mechanization, and labor is employed, and must thus utilize to the greatest extent mechanization, science and technology, and raise labor productivity. Therefore, all localities must actively create favorable conditions for the energetic development of diversified economy, accelerate the transfer out of surplus manpower away from cultivation of the soil, and at the same time encourage and guide peasants in adjusting and exchanging land to appropriately concentrate on holding coherent pieces of land. In the near future, it will also be important to resolve the problems of joint cultivation, joint use of improved varieties of seed, joint irrigation, and joint prevention of plant diseases and insect pests, so as to achieve right-scale operations in the production environment.

C. On the Grain Production Policy. We must continue to enhance the establishment of bases for commodity grain, relying on a policy of further stimulating production enthusiasm at these bases. Presently, because of the continuously rising costs of cultivation but inordinately low prices for grain, there is little enthusiasm among the peasants for energetic development of commodity grain production, and especially because there are many problematic points in the way controls are structured concerning production, management, and circulation of grain. As long as the problem of exacting large contributions from the production areas, against small returns from grain production, remains without any appropriate resolution all this time, the banners and counties, in which the bases are located, find it difficult to provide necessary motivation for an all-out effort to develop grain production. Therefore, the autonomous region, besides continuing to concentrate manpower, financial, and material resources on establishing and developing commodity grain bases, should as quickly as possible adjust its policy in the following six respects to inspire enthusiasm at the bases for the development of grain production: 1) It must gradually increase special investments for grain production at the bases, ensure priority use of the investments for the improvement of agricultural production conditions, for transforming medium- and low-yield farmland, for spreading applicable science

and technology, for the raising of improved varieties of seeds, and for perfecting supplementary agricultural infrastructure. 2) It must increase the supply of chemical fertilizer, plastic film for agricultural use, and diesel oil; and as well, must particularly control and stabilize prices of these materials. Large grain-growing households with outstanding contributions must be rewarded by selling them certain amounts of chemical fertilizer and other materials in short supply. Collective economic entities must actively assist the peasants in developing diversified economy, and large-scale grain growers must be given preferential treatment. 3) Scientific criteria must be applied in determining grains prices, so as to have them conform with prices for means of production and prices for industrial crops, thus arriving at a basically rational price parity. 4) It is necessary to revitalize the grain market. For any grain produced beyond the fulfillment of the grower's obligation to the state, an open market should be promptly available, and he shall be allowed to trade through a variety of channels. The state and the local authorities must, in a planned way, establish some wholesale markets for trading in spot transactions and trading in futures. They should formulate trade regulations, strengthen local control, simplify local excises, as well as procedures and other charges. They should utilize social forces to balance out deficiencies at one place by transferring the surpluses of another place, thereby resolving the problem of imbalances between different territorial grain structures. 5) They must properly resolve the contradiction of grain and industrial crops competing for farmland. Under the present circumstances, the acreage sown to grain must be at least 75 percent of all land under cultivation. For newly opened up farmland and upgraded medium- and low-yield farmland, the region must ensure that 80 percent is sown to grain. 6) The autonomous region, leagues, and municipalities shall emphasize support for the development of certain industries in the grain producing areas, to raise the local capacity to sustain grain production. It must also be decreed that if grain is in future exported from the region, it must be exported as finished product, so that profits from processing are retained in the region. This will resolve the problem of grain production areas gaining little benefit from exporting larger quantities of grain, and resolve the irrational situation of larger production impoverishing the counties (villages).

Promoting the experiences of fraternal counties and municipalities with "contracting with agricultural technical groups." According to plans for abundant harvests, spreading project acreage, implementation plans, and demands for production quantities and indices for returns, all put forward by the agricultural departments, the autonomous region, leagues, municipalities, and banner and county governments must take the lead (avoiding ineffectual lead and coordination by the departments) in organizing joint contracting groups. These groups shall absorb as component-participating parts the various agricultural, materials, water conservancy, rural electricity, supply and marketing, financial, and scientific research departments of all ranks, and the

groups shall then sign service contracts with the local banners, counties, and villages to provide guidance in production and agricultural operations.

Strengthening of water conservancy work. Our region is located in an arid and semi-arid area. Dry farming areas account for about 80 percent of all arable land. Because of the unequal distribution of the water resources, time-wise and atmospherically, drought and paucity of rain are major natural calamities affecting agricultural development. It is therefore necessary for the development of grain production to amend as soon as possible the present weakness in water conservancy arrangements in many places, as well as to resolve the problem of inadequate measures for the prevention of natural calamities. We must attend to water conservancy for farmland as a long-term important task and include it as such in our planning. We must pursue this work with unrelenting energy, striving for the objective of ensuring irrigation, in three to five years time, for 20-25 million mu of land.

We must energetically increase investment in agriculture. Since the start of the reform, investment in agriculture was shifted from being undertaken centrally by the state to being a matter mainly to be undertaken by the peasants. Due to a variety of factors, peasants act out of fear of incurring losses and will therefore not increase investments in the infrastructure of farmland. Their mind is set on investing more for the current year's production to prevent continuous erosion of soil fertility and to provide against rising production costs. Establishment of a multi-level normal investment mechanism, involving the state, the collectives, and the families, and to rapidly improve agricultural production conditions, has therefore become an important question which can no longer be ignored. For this purpose, it is necessary to: first, realistically stabilize the land contract periods and have them continue unchanged for a long period of time; second, enhance management of collective capital accumulations and their uses, to have them truly applied to installation and maintenance of water conservancy projects, farmland capital constructions, acquisition of large farm machinery and tools, spreading of science and technology, and for the support of developmental production and construction by peasant households; third, still have the state make investments in some large-scale agricultural capital construction projects and in technical developments of a breakthrough nature, to create for the peasants a favorable investment climate, thus enhancing peasant confidence in investments, and as a consequence lead peasant capital investments toward agricultural capital constructions.

Close reliance on scientific and technological progress. In the future development of grain production, expansion of extensive cultivation will suffer from the restraints of insufficient natural resources. At present, when the economic basis of the localities and of the peasants is still very weak and investments rather limited, the basic capacity for a continued improvement in the rate of utilization of available resources and for enhancing agricultural, especially grain production

returns, must be sought in a most energetic adoption and spread of science and technology. (1) For a further enhancement of agriculture, it is necessary to spread technological measures, such as development of seeds for improved varieties, use of plastic agricultural film, dry farming, scientific fertilization, advanced irrigation methods, model planting methods, and successful efforts to achieve high-yield operations. (2) Establishing a highly effective service organization for scientific research and spreading of scientific methods. (3) Formulating favorable policies that will encourage scientific and technological personnel to move into the countryside to render well-remunerated agricultural technical services or services on a contract basis.

Energetic efforts to enhance agricultural mechanization. According to an investigation by the agricultural machinery department of the autonomous region, the limited extent to which agricultural machinery and tools are used, also due to shortage of petroleum, and defective organization, mechanical cultivation of farmland is done to only 40.6 percent of the entire region's farmland, to 20.57 percent in mechanical sowing, to 8.8 percent in mechanical planting, and to 4.95 percent in mechanical harvesting. Other distribution of agricultural machinery is uneven. Over 1,000 villages and townships throughout the region are without agricultural machinery service stations. To raise grain production levels and returns, it is necessary to strongly promote agricultural mechanization. This is one of the important material preconditions to ensure benefits from all other scientific or technological investments. For this purpose, it is necessary to strengthen leadership in matters of agricultural mechanization. Starting with the actual local realities, we must formulate plans for the development of agricultural mechanization, perfect an organization for the management of agricultural mechanization, increase investment, and in the near future focus attention on strengthening supplementary manufacture of practical farm machinery and equipment. At the same time, we must incorporate the agricultural production responsibility system, effectively arrange for petroleum supplies, and guide operations to the extent that it will be farm machinery that will do the work of farming. We must establish a perfect farm machinery service system at the villages, encourage state, collectives, cooperatives, as well as individuals, to jointly put their shoulders to the wheel, make the village farm machinery station the core of operations, establish contacts between related networks, make overall centralized arrangements, set a rational tariff of charges for services, perfect a set of rules and regulations for services, and continuously improve service quality, thereby promoting development of grain production.

Making effective efforts to supply all means of agricultural production. Monopolizing the trade in fertilizer, pesticides, plastic film for agricultural use, and other major means of production, to a certain extent made it easier for the peasants to buy these materials. However, the across-the-board price increases for all these various

materials has aroused strong dissatisfaction among the peasants. Furthermore, there is only a single type of fertilizer being supplied, the supply of diesel oil lags far behind demand, pesticides are not supplied at the proper seasons, etc.; these are all problems that urgently await resolution. It is therefore necessary to improve the system of monopoly supplies of agricultural means of production as quickly as possible, also to reduce intermediary links in the procurement and marketing, and to have monopoly supplies reach down to the basic-level supply and marketing cooperatives, to strictly enforce the state's price policies, and ensure direct supplies to the peasants according to seasonal requirements. At the same time, it is necessary to arrange for the proper types of fertilizer to be distributed according to the crop planting structure at the particular places involved, so as to have supplies properly meet demand. Banks must ensure timely supply of procurement funds for the basic level cooperatives, establish a system of reserve stocks of agricultural means of production, and according to what varieties and quantities of stocks are needed to be kept in reserve, issue specialized loans and lengthen the loan periods, to ensure seasonable reserve stocks. For pesticides, special purpose loans shall be issued, so as to be always prepared in case need arises.

Adjustment of the problems of irrational overall layout of grain production. Presently, in many localities, only one type of grain is being sown, and this cannot satisfy the demand for different types of grain at these localities. It causes increased pressures on transportation facilities and increases local financial expenditure. For this reason, it is necessary to set grain prices that are differentiated by localities and by varieties of grain, to encourage the various localities to make efforts to satisfy, in a self-reliant way, their needs for other types of grain. The autonomous region has to import an annual quantity of over 1 billion kilos of grain from other provinces, most of it wheat and rice. It should be possible by appropriately raising procurement prices for these items to stimulate production, while for corn, which is already produced in relatively abundant quantities, we must, on the premise of maintaining rational parity prices, develop processing industries, animal husbandry, and exports to increase its value, and protect the enthusiasm of the peasants for growing grain. We must at the same time pay attention to supporting feed production in livestock-raising areas and improve on the plowing-under of wheat straw.

Energetic improvement of dry farming. At present, the following work must be firmly taken in hand as priority tasks: 1) Selection of a piece of fertile land as a basic area that will serve as a safeguard against drought and flood, making an effort to have 2 mu of such land per head of population. 2) Energetic promotion of scientific measures of dry farming, improving the soil with fertilizer, select seeds of best drought-resisting crops, develop animal husbandry in the agricultural areas, raising livestock to fertilize the soil, using agriculture to raise livestock, and using livestock to benefit agriculture, and

achieving a harmonious development of agriculture, animal husbandry, and forestry. 3) Unrelentingly work to plant grass and plant trees, create a tree shelterbelt, devise a strategy to regulate water flow in small river basins to avoid soil erosion, and combine biological with engineering methods. 4) The state should increase economic aid to dry farming areas, help them improve agricultural production conditions and raise their levels of productive forces.

E. Further Improvement of Procurement and Marketing Policies. A conspicuous problem in the current double-track system of grain procurement is the large disparity between grain prices the state pays for its procurements and the market prices. There is too little of the "triple-link-up" material serving as economic subsidies, and prices are continuously going up, so that exchanges between state and peasants become exchanges at obviously unequal value, causing great dissatisfaction among the peasants. However, a complete straightening out of grain prices according to the law of value, effecting a complete decontrol, would exceed the state's financial strength. In addition, the contradiction of inadequate grain supplies cannot be resolved within a short time. It would also not be possible for those industries that use agricultural sideline products as raw materials to absorb such a development, as it would cause prices for every commodity in the market to go up, and this would prove harmful to economic construction and people's livelihood. Therefore, the double-track system in grain procurements will have to be continued for a considerable time, but it is necessary to properly regulate the conflict of interests between the state and the peasants. To reduce the conflict brought about by the double-track system in grain procurements and to ensure the needs of the state, it is suggested to make it clearly a task of the state to purchases by conclusion of contracts. This method would be beneficial to ensure the prestige of state policy. It would also mitigate conflicts between cadres and the masses, would be beneficial for consolidation of state control over a part of its grain resources, would ensure sufficient grain supplies for the city population, and also grain supplies at parity prices for the military units and certain special trades and industries. However, the specifically obligated quantities must be strictly controlled; they should generally not be changed for three to five years, and prices must not be increased year after year. For procurement prices, the principle should be a combination of regulated and decontrolled prices. For the state task, i.e. for procurements by contract, grain procurement prices must gradually be raised, and efforts be made to reduce their disparity with market prices, so as to stimulate the enthusiasm of the peasants for grain production. It is conceivable that for the 880 million kilos of state procurements by contract in 1990, prices could be raised 18 percent, i.e., on the average by about 0.10 yuan per kilo, and the price for wheat may be raised to an even larger extent than for other grains. On this basis, prices during the five years up to 1995 could be appropriately raised somewhat higher, to be not below the Central Committee's grain price

adjustment figures. Some of the free-market procurement prices transformed to parity prices should be completely deregulated, and certain prices established as the lowest protective prices for grain procurements.

Raising criteria for grain link-up materials. We must change the seasonal supply per year of link-up materials to a system of directly handing peasants favorable treatment certificates according to the quantity of grain turned over to the state in the preceding year, allowing the peasant to buy such link-up materials according to the needs of production. Peasants may be allowed to exchange for cash at parity and market-adjusted prices certificates for link-up materials in excess of their requirements.

By every possible means a solution must be found for problems in connection with earnest money for advance purchases of grain and for payments by IOU's. First, finance and banking departments must actively ensure availability of sufficient funds for grain procurement departments and units. Second, turnover of funds must be accelerated, and a change must be brought about in the present passive state where allocations and transfers of grain funds are mutually delayed. Third, realistic and feasible measures should be determined to make sure that earnest money promised in the state's contracts for advance purchases of grain and full grain prices are actually paid after peasants have completed delivery of what they are obliged to sell to the state. In case of any problem, at whatever level, the immediately superior government and department in charge must investigate into the economic and administrative responsibility of the person or persons concerned.

Since the reform of the grain procurement and marketing system, incongruities have occurred between procurement and marketing measures, so that procurement and marketing prices are in a topsy-turvy state, and marketing controls have become lax. Grain consumption at parity prices in our region is continuously rising steeply. In 1981, sales for nonagricultural purposes in the region amounted to only 1.19 billion kilos, but in 1988 that figure had gone up to 2.269 billion kilos, an average annual increase of 9.65 percent, which considerably exceeded the rate of grain production increases of 5.42 percent during the same period. The larger the gap of grain at parity prices, the heavier the subsidy burden on the state's finances. In 1988, grain subsidies throughout the region amounted to 900 million yuan, and state and regional finances have reached a dilemma in that they cannot continue in this manner. It is therefore necessary to strengthen the macroeconomic control over grain sales, adopt effective measures to reduce sales at parity prices, and expand sales at market-adjusted prices. This would be beneficial not only for lightening the burden on state finances, but would also promote a better planning of the use of grain and economize in the use of grain, and in addition would be beneficial for a further commercializing of grain and to stimulate the enthusiasm of the peasants for growing grain.

We must firmly control the increase of the nonfarming population. In recent years, there has been a huge increase in the number of farmers turning to nonfarming occupations and of persons immigrating from outside the region. These increases amount to more than 20,000 per year, which has grain consumption increase steeply.

Reforming the criteria for "industry-planted" grains. The criteria for "industry-planted" grain, of which enterprise staff and workers benefit, should be appropriately lowered, and the collection of contributions to the grain fund should be linked to the amount of "industry-planted" grain of which the enterprises benefit, with more contributions to be made where more benefits are enjoyed. The supply of nonstaple foodstuff and beans should be abolished, and grain prices for foodstuff, nonstaple foodstuffs, animal feed, beverages, and wine making and beer brewing industries should be gradually deregulated.

Charging for the 300 to 350 million kilos of grain annually sold back to the villages should gradually change to a way of charging at market-adjusted prices. In this way the state could save every year over 90 million yuan in financial subsidies. Presently, considering the various difficulties and adverse influences, the intermediary trading links may, for the time being, still retain the differential between purchase and sales prices, these charges to be borne by the banners and counties that effect these return-sales, for three years at the rate of two, three, and five for the three parties concerned, the remainder to be settled by the finance departments of the leagues and municipalities. From the fourth year on, the grain sold back to the villages should be traded at market-adjusted prices. The price differential by the intermediary trading links in the business chain shall be borne by the banners or counties themselves that buy back the grain, and shall be absorbed by the peasants. Peasants who are too poor to buy such grain shall be given necessary social relief subsidies or temporary relief loans.

Adjusting grain supplies to livestock raising areas and improving grain supply to vegetable growers. It is suggested to clearly change the system of supplying sufficient quantities and controlling quantities of grain to livestock raising areas to a system of supplying fixed quantities. The standard fixed quantity of these supplies shall not differentiate between adults and children, but be 12.5 to 14 kilos of fully processed grain per month, supplies to be fully provided by year's end without any carry-over to the next year. At the time, trading operations shall be started for grain and oil at market-adjusted prices, to resolve the food problem of "floating" personnel and any other problems in the possible uses of grain. Charges for grain supplied for the personal consumption of vegetable farmers must be changed to charges at proportional prices. For vegetable farmers who work as workers or engage in trade, and who do not fulfill their obligatory deliveries to the state, it must be clearly stipulated that they are to be supplied grain only at market-adjusted prices.

A reform may be tried out in the subsidy system for grain allotted to the urban population for their own consumption. Presently, an accumulation of 800 million kilos of grain is reserved for this population. The reasons are: First, the quantity of grain procured by government offices, enterprises, and industrial units are of types specially allocated for staff and workers. Second, with their increased intake of high-protein plant and animal foodstuff, the average 16-kilo per person grain consumption is no more consonant with actual present and future developments. Therefore, as an overall restrictive factor, it would be more realistic to ensure a grain consumption for the urban population of an average of 14 kilos per month per person. Their price subsidies, according to the system of separate and independent financial responsibilities, must be borne by the administrations of public finance at the various levels of government. The purpose of this reform is to gradually effect a change from subsidizing the differential by the intermediate traders to subsidizing the consumption of the citizens. Moreover, as incomes of the urban population go up, the system of subsidizing by an equal distribution to all urban residents shall be changed to a system of subsidizing only people with limited incomes. Gradually, a balance shall be achieved between procurement prices and marketing prices.

Inner Mongolia Funds 6 Commodity Grain Centers

OW2705080390 Beijing XINHUA in English
1423 GMT 25 May 90

[Text] Beijing, May 25 (XINHUA)—The Inner Mongolia Autonomous Region has provided 1.784 billion yuan (about 380 million U.S. dollars) to set up six centers for commodity grain, according to today's PEOPLE'S DAILY (Overseas Edition).

These centers will cover about 1 million ha.

The construction will be completed in 1997.

Qinghai Animal Husbandry Production Increases

HK2505113190 Xining Qinghai Provincial Service
in Mandarin 2230 GMT 24 May 90

[Excerpts] In the first half of this year, Qinghai's animal husbandry production witnessed a rapid development.

By mid-May, Qinghai had more than 3.23 million head of livestock. Qinghai had also increased live pig production by 12 percent. [passage omitted]

It is estimated that by the end of June, Qinghai will have 24.52 million head of livestock.

This year, under the guidance of the spirit of the Fourth Plenary Session, Fifth Plenary Session, and Sixth Plenary Session of the 13th CPC Central Committee, various areas of Qinghai Province have conscientiously

implemented the decision made by the Qinghai Provincial CPC Committee and the Qinghai Provincial People's Government on accelerating Qinghai's animal husbandry production development. As a result, Qinghai's pig raising industry has grown rapidly and steadily.

Shaanxi Area Named Agricultural Development Zone

HK2405144390 Xian Shaanxi Provincial Service
in Mandarin 2330 GMT 23 May 90

[Text] The state has decided to build a comprehensive agricultural development zone in Shaanxi's Weibei area.

The state will provide some 20 million yuan annually to the Weibei Agricultural Development Zone from 1990 to 1992.

The Weibei Agricultural Development Zone will be comprised of 14 counties and cities, 80 townships and towns, and 1.5 million mu of farmland.

The Weibei Agricultural Development Zone will mainly carry out production of grain, cotton, oil crops, tobacco, fruit, and so on by transforming large stretches of middle-yield and low-yield farmland.

Advanced science and technologies will be applied in the Weibei Agricultural Development Zone with a view to increasing production output.

Shaanxi Farmer Income

40060049F Beijing JINGJI CANKAO in Chinese
15 May 90 p 1

[Summary] In the first quarter of 1990, the per capita cash income of farmers in Shaanxi Province was 107.52 yuan, a 6.9 percent increase over the the same period in 1989.

Shandong Province Completes Seeding Effort

OW2605201690 Beijing XINHUA in English
1256 GMT 26 May 90

[Text] Jinan, May 26 (XINHUA)—Shandong Province in east China has accomplished its planned seeding of 2.46 million ha of cotton, maize, peanuts, sweet potatoes and other crops other than wheat and rice this year.

Shandong's cotton cultivation area has reached 1.2 million ha, and plastic sheeting has been applied to 200,000 ha of this, 80,000 ha more than last year.

During the seeding season more than 100,000 cadres have gone down to the grass roots to provide various services.

In addition, the local authorities at different levels have offered funds and materials to encourage agricultural production.

Moreover, 10,000 agricultural technicians have contracted to provide technical services and have trained 1.75 million farmers.

Shanghai Expects Bumper Grain Harvest

*OW2405191990 Beijing XINHUA in English
1523 GMT 24 May 90*

[Text] Shanghai, May 24 (XINHUA)—Shanghai is expected to get in 541 million kg of summer grain this year, 15.3 percent over the previous year's figure, an official from the municipal agriculture bureau announced today.

Meanwhile, the city will harvest 180 million kg of rape this year, 20 percent more than last year's output.

The official attributed the bumper harvests to expansion of the areas for growing these crops and increased per unit output.

Shanxi Farmer Income, Expenses

*40060049D Taiyuan SHANXI NONGMIN in Chinese
28 Apr 90 p 1*

[Summary] According to a survey of 2,100 rural households in 235 counties in Shanxi Province, in the first quarter of 1990, per capita cash income of farmers was 152.37 yuan (excluding savings and loans), an increase of 39.76 yuan or 35.3 percent over the same period in 1989; cost of living expenses were 114.34 yuan, an increase of 24.61 yuan or 27.4 percent; and per capita production investment was 34.10 yuan, an increase of 2.96 yuan or 9.5 percent.

Sichuan Farmer Income

*40060049C Chengdu SICHUAN RIBAO in Chinese
11 May 90 p 2*

[Summary] According to a survey of 5,500 rural households in 55 counties in Sichuan Province, the per capita cash income of farmers in the first quarter of 1990 was 113.47 yuan (excluding savings and loans), a decline of 6.90 yuan or 5.73 percent from the same period in 1989.

Contract Divorce Increasingly Popular in Beijing

OW0106075590 Beijing XINHUA in English
0709 GMT 1 Jun 90

[Text] Beijing, June 1 (XINHUA)—A young couple who had just got a divorce certificate were enjoying a bottle of fenjiu, a heady spirit, and pears at a table, talking and recalling the good time they had had to the tune of *Auld Lang Syne*.

"Fen" and "pear" ("li" in Chinese) have connotations of sound as separation.

The couple didn't quarrel over property. Instead, they agreed to divorce in a friendly way after a five-year marriage.

Since 1980 the Chinese capital has witnessed a rising number of spouses eschewing the courts for divorces.

According to statistics from the Ministry of Civil Affairs, reported contract divorce cases increased from 2,203 in 1986 to 5,181 in 1989, constituting 30.3 percent and 41.2 percent of the total of the respective years.

Most of the divorced couples, aged 30 to 35, have received college educations and their marriages broke down two or three years after their weddings.

Though "peaceful separation" dates back to China's Tang Dynasty (618-907), as women's social status was far inferior to that of men, such separation was only a synonym for men discarding their wives.

Today, 60 percent of the contract divorce cases are started by wives on grounds of incompatibility, sexual problems or unfaithful husbands.

Experts see the bright side of this phenomenon in "Chinese women's increasing economic independence".

About 90 percent of the women in big cities such as Beijing and Shanghai are employed. Equal pay for equal work, stipulated by the law, has enhanced the urban women's ability to support themselves and has helped free them from the centuries-old idea of "marrying a man for food and clothing."

A survey of divorcees showed that better education has made people care more about love, affection and common language in marriage, as well as the importance of handling marital problems reasonably and decently.

Mrs. Yang, a young vegetable market attendant, once attempted to sue for divorce in court. After recalling the good days she and her husband had together, she finally changed her mind and turned to contract divorce.

"We had, after all, been husband and wife. I see no need to attack each other in court," she said.

A divorced journalist, who refused to release his name, said contract divorce saves time and energy. "Since we are both young, it is good for both to get it over quickly and reorganize new families," he said, adding, "I also

don't want to go to court and let my affairs be known to my colleagues and neighbors."

A self-employed businessman admitted that contract divorce also saves money. "I need only pay four yuan (less than 1 U.S. dollar) to the local registration office," he said.

If the couple goes to court, they have to pay 50 yuan (about 10 U.S. dollars) for the lawsuit fee and wait at least six months before a divorce verdict comes in.

Those who are willing to have a contract divorce are only required to show notes bearing the inscription "mediation invalid" from their respective work units and their application for divorce to the local registration office. If the applicants don't change their minds and the contract is considered fair, a divorce verdict will reach the couple after 15 days.

System Needed To Handle Intellectual Property Rights

90CM0097A Nanjing JIANGHAI XUEKAN [JIANGHAI ACADEMIA] in Chinese No 2, 10 Mar 90 pp 72-75

[Article by Wu Pengli (0702 7720 6849) and Chen Bin (7115 1755): "An Appraisal on How To Prevent and Deal with Intellectual Property Disputes." Author Wu Pengli was born in 1936 and is now the assistant bureau chief of the Chongqing Municipal News Publication Bureau. Author Chen Bin was born in 1963 and is now an instructor at the Xinan Institute of Political and Legal Studies.]

[Text] The increasing number of intellectual property disputes are now attracting attention from all sectors of society. How do we effectively control this? This is a question demanding urgent resolution by those in charge of administering intellectual property rights and those in the field of law. With this problem in mind, we will attempt to provide some ideas on how to prevent and deal with intellectual property disputes by assessing the groundwork of sources that give rise to intellectual property disputes.

Sources of Intellectual Property Disputes

As we look at the idea of the intellectual property dispute, we find without difficulty that intellectual property disputes are not independent social phenomena and that, to varying degrees, they possess an inherent connection to such factors as the current state of intellectual property relations in China and the establishment of legal rules governing intellectual property rights.

First, the proliferation and complexity of intellectual property relationships demonstrates the fact that the publishing industry in China is flourishing. At the same time, this fact contains within it the latent potential for numerous intellectual property disputes. We can see from the actual situation that intellectual property disputes and the activity arising from intellectual property rights, regardless of whether it is in accord with the

subjective desires of the people, possesses an associated nature that cannot be altered. Furthermore, given similar social capacities to control and similar levels of legal consciousness and ethics, greater complexity in intellectual property relationships and greater proliferation in publishing activity will result in greater numbers of intellectual property disputes.

Second, the sluggish development of laws dealing with intellectual property in China is a legal reason for intellectual property disputes. In China the development of laws dealing with intellectual property rights has always lagged behind in a backward state. As a result, both our society's ability to control intellectual property disputes and our consciousness of intellectual property laws has never caught up with the development of things in the real world. Without a doubt, this has provided the necessary ingredients for the multiplication of intellectual property disputes. The sluggish development of laws dealing with intellectual property in China shows itself primarily in two areas. 1) Legislation on intellectual property rights is lagging behind the development of intellectual property relations. Since the founding of modern China in 1949, a marked contrast has come about between the "paucity of intellectual property legislation" and the increasing growth and complexity of publishing relations in fact. The massive numbers of publishing relationships that exist require suitable legislative adjustments to be made governing intellectual property rights. Otherwise, property and personal relationships that arise from the creation of a work, its propagation, and its use will all fall outside a legal framework with the inevitable result that the relationships of rights and duties will become chaotic and that intellectual property disputes will proliferate. 2) We have a disparity between the people's low level of legal consciousness concerning intellectual property rights and the wide-ranging dealings that center on intellectual property rights. The people's level of legal consciousness concerning intellectual property rights is now at a fairly low level. Many people have no idea of the obligations they have in their dealings with intellectual property. As a result, they do not even notice when they violate the intellectual property rights of others. In actual work, many publishers and editors, when making arrangements with an author for a piece of work, are in the habit of not signing contracts dealing with the writing and its publication. Only about 10 percent will make contracts, whereas the rest rely on the old practice of making a "gentleman's agreement." The result is that when one party violates the agreement, there is no binding law to govern the dispute and thus an intellectual property dispute arises. Some writers, in the course of their writing, borrow too heavily or copy extensively from the works of others. This violates the copyright of the original author and the exclusive publication rights of the original publisher. Some profiteering book dealers fail to get permission from the original author and

publisher. They take formally published books and periodicals and reprint them in large numbers for publication. This is illegal activity that recklessly violates the rights of the author and publisher.

Our assessment of the sources of intellectual property disputes leads us to the two following points: First, intellectual property disputes, as an objectively existing social contradiction, possess the attribute of not transforming the will of the people. However, from the standpoint of control, objective laws do have some power over people. Man-made methods can provide control, and intellectual property disputes are controllable. Second, the factors giving rise to intellectual property disputes are multifaceted, and from this we conclude that the social system created to control intellectual property disputes must be comprehensive.

Prevention of Intellectual Property Disputes

In a comprehensive system that controls intellectual property disputes, prevention plays an extremely important role. The function of prevention lies in the fact that at the embryonic stage of an intellectual property dispute, people can take positive control measures to eliminate the inherent causes of intellectual property disputes, they can alter the external conditions that give rise to disputes, they can create harmony in the large and small environments, and they can keep the occurrence rate of disputes at the lowest possible level.

The establishment of a rational system of prevention and the discovery of effective preventive measures are necessary preconditions to giving full play to the function of prevention. Based on China's actual situation, at present we should focus primarily on creating intellectual property legislation and intellectual property administrative brigades, and educating the people in intellectual property laws, among other things, so as to develop the work of preventing intellectual property disputes. Here, the authors will discuss a few of their views regarding legislative solutions to the prevention of intellectual property disputes.

1. Perfect the system with intellectual property rights as a key concept. In everyday life, because the attainment of a copyright is a necessary precondition to the enjoyment of the interests that come with possessing intellectual property rights, disputes over copyright status are particularly numerous. In practice we see numerous disputes concerning ownership of copyrights in cooperative works, works created by employees, and works-for-hire. In light of this, China's intellectual property legislation should provide perfected regulations concerning the copyright system so as to provide the people with clear criteria for determining who and what is under copyright and to avoid disputes that arise out of lack of legal guidelines for determining where copyright status lies.

It is our view that China's intellectual property laws ought to confer copyright status on the following citizens and juridical persons: a) the citizens who create the

works; b) persons who create works while under employment; c) persons who create works-for-hire subject to contractual agreement that confers the rights to the copyright; d) lawful transferees of the copyright. We need to emphasize that China's intellectual property laws should particularly focus on clearly establishing copyright ownership for derivative works, cooperative works, works-for-hire, anonymous works, gift works, and other special categories of works that easily give rise to disputes about copyright ownership.

2. Clearly determine the scope of the rights stemming from copyright ownership. Any legal dispute is essentially a dispute over rights, and intellectual property disputes are no exception. Thus, if we want to effectively prevent disputes over intellectual property rights, we must clearly stipulate the scope of the rights that stem from copyright ownership.

The rights enjoyed incident to copyright ownership are twofold. The first is the author's personal rights. When we speak of the author's personal rights we mean the right the author has earned to enjoy the honor that comes with his having created a work, and to have this honor safeguarded. In China, this should primarily include: a) the right of author status; b) the right of fame; c) the right to defend his status by punishing those who would violate it; d) the right to the integrity of his work. According to the "Bern Convention" used in the international community, a personal copyright belongs to the author indefinitely, and even if the property rights in the copyright are transferred, the author retains his personal copyright. From this we can see that the personal copyright is a special and exclusive thing.

The property copyright is the second major component in the intellectual property scheme. This item refers to the fact that when the work is being issued, performed, propagated, copied, edited, or translated, or used in any other form by the owner of the copyright or by one acting with the owner's permission, the copyright owner has a right to receive an economic interest. In practice we see that disputes over property copyrights predominantly involve issues of user fees once permission to use the copyrighted material has been given. Thus, in the area of the property copyright, our intellectual property legislation should pay particular attention to establishing rules governing these issues.

3. Perfect the contract system. There are primarily two types of contracts in intellectual property law. One kind is the contract dealing with works-for-hire. The other kind deals with copyright transfers and permission to use. The most common type of legislation in other countries requires that works-for-hire be evidenced by a signed, written contract. The contract should stipulate who owns the copyright, who is doing the commissioning, and who is being commissioned, as well as the rights and duties of each. "Contracting coercion" should be used whenever copyrights are being transferred or permission is being given to make use of copyrighted works. That is, these forms of agreements should always

be put into a written contract. In practice, numerous disputes over works-for-hire, copyright transfers, and permission to use copyrighted material arise either because the parties failed to make a contract or because their contract is not in standard form. Obviously, only by establishing and perfecting China's intellectual property contract system, stipulating what is to be the standard contract to use for the various kinds of works, and clearly determining the rights and duties of the parties and the obligations that stem from a breach of the same can we effectively prevent the above-mentioned disputes from arising.

4. Implement a system of copyright proofs and notarization. In dealing with intellectual property, people often have disputes over matters concerning authenticity and legality. To prevent these situations from arising, we propose that the administrative activities surrounding intellectual property include a system of proofs and notarization.

We should implement a system of voluntary proofs for intellectual property contracts. That is, if the parties demand proof, the administrative organ in charge of intellectual property should then provide verification. If the parties do not demand proof, then no one will compel them to seek verification.

Aside from intellectual property contracts, other intellectual property activities not put into contractual form often require that their authenticity and legality be affirmed so as to avoid disputes that arise because too much time has elapsed and witnesses are absent. With regard to this objective requirement, we can satisfy our needs through the use of notarization. Currently, although China's notarization laws do not expressly provide for the issues of notarization of intellectual property, if we were to start notarizing intellectual property we would not be violating the basic spirit of the notarization laws.

5. Establish a system for intellectual property agency. Intellectual property agency means that the agent uses the name of his principal and, acting within the scope of the authority granted, represents his principal in conducting activities associated with intellectual property. For example, the agent can transfer rights to the intellectual property, enter into negotiations, or conclude contracts concerning the business of intellectual property. The agent can also accept transfer fees and publishing royalties, and can represent his principal in legal complaints and nonlitigious matters, and so on. The intellectual property agent has many functions. As for the matter of prevention, the agent will often be capable of putting the intellectual property activity in a legal channel, and thus avoid ending up with the disputes that arise when illegal dealings occur. Thus, we propose that the intellectual property laws of China explicitly provide for intellectual property agents, the permissible scope of their activities, the limits to their authority, and the establishment of intellectual property agent organizations.

A Mechanism for Dealing With Intellectual Property Disputes

As we have shown above, intellectual property disputes and publishing activities possess an associated nature that cannot be altered. Through prevention we can appropriately control the rate at which intellectual property disputes arise. However, we cannot completely eliminate them. Thus, it is necessary to further explore the various ways of dealing with intellectual property disputes so as to perfect the system of controlling intellectual property disputes.

1. Mediation mechanisms for dealing with intellectual property disputes. Mediation is a great way to resolve intellectual property disputes. Mediation is often the ideal choice available to the parties in a dispute over intellectual property where the goal is to "both resolve the dispute and keep relations friendly."

In China, mediation mechanisms for the resolution of intellectual property disputes can take such forms as person-to-person mediation, administrative mediation, arbitration mediation, and court mediation, among others. Of these, person-to-person mediation involves individual citizens or concerned citizen groups, such as the colleagues of the parties in the intellectual property dispute, their friends or relatives, or persons who belong to the same writers association or literary alliance. Those involved in person-to-person mediation will often be familiar with the basic situation of the parties and the history of their dispute. With these persons involved in the mediation, settlement and education work can be more easily performed in accordance with actual conditions. And person-to-person resolution of disputes helps to lighten the workload of intellectual property administrative organs and judicial organizations. Administrative mediation is performed with the involvement of intellectual property administrative organs. Intellectual property administrative organs are responsible for resolving disputes concerning intellectual property, and mediation is one of the important ways they carry out this duty. Currently, many intellectual property administrative organs employ mediation in their practice of resolving intellectual property disputes, and the results have been quite remarkable. Arbitration mediation and court mediation refer to mediation that involves an intellectual property dispute arbitration organ and a people's court, respectively. Although arbitration is an important way that people's courts and arbitration organs resolve intellectual property disputes, in the interests of satisfactorily resolving disputes, saving time, and carrying out the task beneficially, mediation is a method that cannot be discounted.

We must make it clear that not all intellectual property disputes are amenable to mediation. Mediation is a way of resolving intellectual property disputes whereby the parties work with the rights they have to punish or to grant. A prerequisite to mediation is that the parties know just how much of a right they have to punish the other. If the dispute between the parties is one that

involves a right that does not give the power to punish then there is no way we can talk of resolving the dispute through granting an "accession." For example, the following three disputes would not be amenable to mediation: a) a dispute over a personal copyright; b) a dispute where the intellectual property contract is acknowledged to be ineffective; c) intellectual property administrative disputes.

2. Arbitration mechanisms for dealing with intellectual property disputes. In a system for dealing with intellectual property disputes, arbitration is an important mechanism that lies between mediation and court adjudication. Employing arbitration to resolve intellectual property disputes not only agrees with the civil aspects of intellectual property disputes, but also it helps to perfect the system and fill in the gaps. Here we will discuss merely a few of the basic issues concerning arbitration as a means of resolving intellectual property disputes.

a. Creation of intellectual property arbitration bodies. Creation of intellectual property arbitration bodies is a necessary prerequisite to the development of intellectual property arbitration work. We propose that intellectual property arbitration commissions be set up within the state intellectual property bureaus and the regional intellectual property administrative organs and that the commissions be put in charge of all intellectual property arbitration work throughout the nation. The intellectual property arbitration commissions should be composed of one head, one or two assistant heads, and a number of commission members. The head, assistant heads, and members must be appointed from among those persons who have working experience and specialized knowledge. In accordance with the specialized characteristics of intellectual property arbitration, the intellectual property arbitration commission should have a certain number of full-time arbitrators and part-time ones as well. The part-time arbitrators can be selected from among well-known persons in society, specialized technicians, and workers in the field of law.

b. The jurisdiction of intellectual property arbitration bodies. In the area of jurisdiction, the jurisdiction of the intellectual property arbitration commission established within the state intellectual property bureau should extend to cases of intellectual property disputes throughout the nation that have extraordinary impact, as well as other cases that the commission feels should fall within its jurisdiction. All other cases would be handled by the regional intellectual property arbitration bodies. Concerning local jurisdiction, we feel it is appropriate that decisions be made in light of the following principles: 1) The principle of agreement. According to this principle, the parties to an intellectual property dispute can provide in a bilateral agreement for the body that they want to arbitrate their dispute. 2) The principle of jurisdiction adhering to the arbitration body located where the violation of rights occurred. This can refer to either the place where the violation of rights took place or to the place where the results were felt. 3) The principle of forum selection. In a situation where two or

more intellectual property arbitration bodies rightfully have jurisdiction over the same intellectual property dispute, the complainant can choose the forum wherein he would lodge the complaint. Forum selection is a fine way to resolve the problem of concurrent jurisdiction.

c. The effectiveness of the arbitrator's decision. On this point, we suggest that rules be adopted in accordance with the "Rules Governing Arbitration of Economic Contracts." That is, if either or both of the parties refuse to accept the arbitrator's decision as binding, then within 15 days of being apprised of the decision they may file suit in the people's court located in the same jurisdiction as the arbitrating body. If suit is not brought within the 15-day statute of limitations, the arbitrator's decision becomes final and is given full legal effect. Parties should automatically abide by and fulfill the terms of the arbitrator's decisions that carry full legal authority. If one party is late in fulfilling the terms of the decision, the other party may petition the appropriate people's court to have the court execute the decision.

3. Legal complaints as a way of dealing with intellectual property disputes. Intellectual property lawsuits belong

with intellectual property administrative mediation and intellectual property arbitration in the class of methods used to resolve intellectual property disputes. In order to make it easier for a party to make a decision that meets his needs in light of the contents, scope, and level of his conflict, our laws should permit a party to choose any of the three resolution methods outlined above that he desires. In other words, a party should be able to petition an intellectual property administrative mediation organization to mediate the dispute, ask an intellectual property arbitration body to arbitrate the dispute, or file a lawsuit in court.

We must make it clear that we do not regard the three methods outlined above as the only ways to resolve intellectual property disputes. The principle that the judiciary is the final arbiter means that when a party has yet to finalize a mediation agreement or when he has not accepted the binding effect of an arbitrator's decision, he still retains the right to file a suit in court. This shows us that the lawsuit is the ultimate means of resolving intellectual property disputes in our system, and compared to mediation and arbitration, the lawsuit has the greatest degree of coerciveness and indisputability.

Air Force Ideological Work Reviewed

HK2905131190 Beijing JIEFANGJUN BAO in Chinese
2 May 90 p 1

[Article by reporter Jiang Yonghong (3068 3057 4767):
"Take the Initiative Into Our Hands in Combating
Corruption and Infiltration—Roundup of Experiences
of Air Force Units in Grasping Ideological Work"]

[Text] We are now fighting a "war without the smoke of
gunpowder." The aim of the war is not to launch an
offensive against cities and occupy them but to fight a
battle in the ideological sphere to win the support of the
people.

In this special struggle, on which the destiny of our party
and state depends, the army also shoulders the sacred
task and duty of charging forward, marching in the
forefront of the struggle, and uniting the masses of the
people in striving for victories. Just as Central Military
Commission Secretary General Yang Baibing pointed
out, the army should properly have a grasp of ideological
work of a high standard. At a discussion meeting held by
the Air Force on strengthening ideological work and
waging a resolute struggle against the corrosive influ-
ences and infiltration, 12 advanced units recounted their
experiences in this field. Their experiences have enlight-
ened us on how to implement instructions by the leading
comrades of the Central Military Commission to achieve
tangible results.

I. The Consciousness of Holding Positions

The ideological struggle is positional warfare, so we must
fight to possess ideological positions and protect them
from being seized.

To fight a positional war we should have the conscious-
ness of holding positions because they have an important
bearing on success or failure. The experiences of the 12
advanced units demonstrate that only by strengthening
the consciousness of holding positions can we have a
stronger sense of alertness to the presence of the enemy,
a stronger sense of urgency, and take the initiative in
plunging into the struggle against corrosive influences
and infiltration.

The positions in the ideological struggle are both visible
and invisible.

Close to a Chengdu Military Region Air Force unit there
was a partially open center selling pornographic publica-
tions and a certain Air Force fighting division was
stationed in a place which was encircled by enemy agents
engaged in inciting defection through psychological war-
fare by disseminating decadent culture. These circum-
stances are readily apparent to a person's sight and
hearing and it is easy to take them seriously because they
hold visible positions in the ideological struggle.

Nevertheless, the invisible positions in the ideological
struggle are often ignored. They are chiefly manifested as
erroneous ideological trends, corrosive influences, or as

symptoms of unhealthy tendencies. These things are, as
a matter of fact, extensions of positions in nonprole-
tarian ideology and intrusions of positions in proletarian
ideology. If we slacken our vigilance and allow them to
spread unchecked, we court the danger of gradually
losing our positions.

After the television series "River Elegy" was shown, the
political teaching and research section of the Air Force
Missile Academy pointed out that the television series
completely negated the national culture, actually adver-
tising "total Westernization," and that we should in no
way allow it to occupy our positions. Thereupon,
teachers in the section took a clear-cut stand and
expressed their views on the issue in the classrooms and
educated their students to develop the outstanding part
of our national culture and enhance their national pride.
This displayed their strong consciousness toward
holding positions.

II. Contend for the Initiative

The proletarian and bourgeois ideologies are extremely
antagonistic. This means that we should not merely
defend our positions but should launch attacks on our
own. Just as General Secretary Jiang Zemin pointed out,
we should be on the offensive on our own initiative, as
we fight a war.

How do we launch an offensive? The 12 advanced units
of the Air Force mainly gained their experience in the
following three aspects:

1. When we are hit by an erroneous ideological trend, we
should initiate a return of fire. In the meteorological duty
station of the Beijing Air Force Headquarters, not a
single criminal case or incident has occurred in the 14
years since its establishment. The heroic deeds per-
formed by its soldiers ten years ago in breaking ice on the
Longtan Lake to rescue people remains fresh in people's
memories. The special skill at the station, through which
it has become a never-withered advanced collective in
learning from Lei Feng, is that it knows to return fire on
its own initiative when it is attacked by erroneous
ideological trends. Over the past ten years, soldiers at the
station have held discussions on the so-called "Xidan
Democracy Wall" and the view that learning from Lei
Feng was out-of-date, in an effort to eliminate the
adverse influence and interference.
2. We must have the courage to expose existing problems
and expand positions while ironing out contradictions.
Under a pincer attack from both the psychological
warfare of enemy agents and the pestilence of porno-
graphic material, a certain Air Force fighting division
has not found any criminal cases or political problems
for five years running. Members of the division have
realized that only by facing up to and exposing problems
will we be able to take the offensive at our own initiative.
3. It is necessary for a timely understanding of what is
going on, to make preparations in advance and gain the
initiative. A certain unit of the Chengdu Air Force has

three channels for reporting what is going on in the unit: The backbone force, comprised of party members, cadres, and volunteers, is the main body; the liaison system which exchanges information with local party and government organizations; and the army-civilian joint defense system composed of local departments. In this way, they have good ears and eyes and have taken the initiative into their hands in the struggle against corrosive influences and infiltration so that they can nip the source of trouble in the bud.

The experiences of the Air Force units has once again proved that only by contending for the initiative can the position of socialist ideology be consolidated and developed.

III. Put Roots in the Hearts of the People

Military strategists always use the well-known saying: "The best thing to do is to win the support of the people." Militarily, winning the support of the people always determines final victory or defeat in a war and the ideological struggle is always directly aimed at winning the support of the people.

Socialist ideology reflects and serves the foundation of the socialist economy and also represents the will of the people. Of course, it can win the support of the people. Nevertheless, the reality is not as simple. This is not only because ideological struggles are protracted and complicated but also because some things, which are not problems for the older generation, are problems for many young people. For this reason when grasping ideological work we counter some tendencies, pay attention to the method of work, and stress tangible results.

The method whereby a certain Air Force division helped some young officers and men cast away confused ideas on bourgeois democracy has enlightened us a lot. The division did not do things in an oversimplified way. They presented the facts and reasoned things out, made a concrete analysis of the progressive significance of bourgeois democracy in opposing feudalism, exposed the fraudulent nature of bourgeois democracy for the proletariat and working class, and guided officers and men to understand the crux of socialist democracy in line with actual conditions in China. At the same time, the division's party committee introduced the system of publicizing all problems of concern to officers and men in an effort to reason things out and convince people through actions.

Facts prove that to win the support of the people, we should not only pay attention to the method of work and plant roots in the hearts of the people, but should also optimize internal relations. Leading cadres particularly should set an example, otherwise, it is difficult to win the support of the people. The experience of an airborne division tells us that if leading cadres go wrong with some problems, "this itself is a kind of corrosion."

Many comrades attending the Air Force discussion meeting felt profoundly that grasping ideological work

properly at a high standard will spur on political work in an all-round way and give great impetus to work in other fields. To properly grasp the ideological struggle, we should, in the final analysis, plant the roots of the four cardinal principles in the hearts of the people and make them feel warm toward the four cardinal principles, to increase the appeal and cohesiveness of the four cardinal principles.

IV. Special Logistics Work

Just as in fighting a war in the battlefield, the ideological struggle cannot be waged without logistics work and it needs special logistics provisions.

A certain artillery battalion in an airborne brigade noted the following: In order to keep soldiers clear of the unhealthy tendencies in society, battalion and company officers guarded the barracks gates in turn but this could not prevent some soldiers from sneaking out through holes in the walls.

From this incident, the battalion party committee discovered the weak points in its work of building positions such as a shortage of books, sports, and recreation grounds and facilities. Hence, they took measures to enliven cultural life in the grassroots units and concentrated financial resources on building positions. All companies now have "five rooms and four grounds," namely, a library, television, recreation, and music rooms, and a gymnasium as well as basketball, volleyball, and badminton courts and a sports field. In addition, every company now has 100 songs prepared in case they are requested by other companies to perform a stage drama. With the healthy cultural activities occupying positions in the grassroots units, decadent culture has been effectively checked and armed units are kept stable.

The 12 advanced Air Force units unanimously pointed out at the discussion meeting: To wage ideological struggle we must not begrudge funds spent on investment and adhere to the principle of cultivating barracks culture with the concerted efforts of officers and men. Political Commissar Zhu Guang greatly admires the motto of a certain airborne brigade: "We would rather buy fewer packs of cigarettes and buy more books." This motto has also enlightened a large number of soldiers and officers.

To do special logistics work well, we still need to solve the problem of producing and supplying nourishment for the mind and the problem of training qualified persons in this field of work. Comrades attending the discussion placed great hopes on the relevant departments in charge of journalism, publication, and culture.

Nanjing MR Theoretical Training Course Ends

OW1405131690 Nanjing XINHUA RIBAO in Chinese
19 Apr 90 p 1

[Excerpts] The 28-day theoretical training course for cadres of the Nanjing Military Region [MR], at or above divisional level, ended 17 April in Nanjing.

In class, the students systematically studied 36 articles from Marx's works. Adhering closely to reality, they conducted analyses and research in an attempt to further specify possible deviations which should be prevented and corrected. While studying the principles stated in "The Masses as Historymaker," everyone strongly felt the need to establish the concept of our power being bestowed upon us by the people. Lin Yuquan, director of the political department of a division stationed in southern Fujian, said: Without soldiers, there would be no leaders. Those who lead the rank and file are actually the warriors' servants. To serve them with devotion is our duty. [passage omitted]

At the training course, the idea took root more deeply among the cadres that, to follow the mass line advocated by the party is to at once rely on, educate, and guide the masses and hold fast to the idea that it is the same as answering to the party, the state, and the masses. Liu Chunbao, a garrison brigade leader in the Shanghai Garrison District, said: We can find inexhaustible wisdom in the masses. However, their views are not always correct. Some views are positive and others negative. A leader's job is to gather the sound opinions of the masses and use them to organize, educate, and lead them in the march forward. A leader must adopt a scientifically analytic attitude to all kinds of popular views. He should not seek only to cater to the extremist or retrograde sentiment of some individual or some part of the masses. He should see the whole and the broad picture, so that he does not compromise the overall and long-term interests just because of partial and immediate gain.

During the course, leading comrades of the Nanjing Military Region, including Xiang Shouzhong, Fu Kuiqing, Guo Tao, Wang Chengbing, Shi Yuxiao, and Liu Lunxian, often came to listen to the lectures and join in the discussions with the cadres.

New-Generation Landing Craft Produced

90P30037A Beijing JIANCHUAN ZHISHI [NAVAL AND MERCHANT SHIPS] No 4, 8 Mar 90 p 12

[Article in "Naval and Merchant Ship News" section]

[Text] In close coordination with other organizations, overcoming various technological and material difficulties, the Nanjing Military Region Factory No. 7815 and Shanghai Office No. 708 researched and produced a new generation landing craft, which has already been formally handed over to the military for use.

This craft has a pneumatic, remote control-operated main engine, and the main and auxiliary engines are both outfitted with computer inspection and measurement devices. The anchor motor, main door mechanism, and main hatch cover are all hydraulically operated. Further, the craft is equipped with advanced technology equipment, such as automatically synchronized electric generators [7193 4541 5261 0520 1629 6508], insulation inspection and measurement devices, repetitive display

compasses, direct position (read-out) radar, and ship-board air conditioners. The ship possesses such characteristics as fast speed, little vibration, stability under load, comfortable seats and ride, full living accommodations, etc. It can weather Force 6-7 winds, it will not sink even if a compartment is ruptured or damaged, and it can remain self-supporting for 10 days. The craft also has broad applications on islands, in fishing villages, and in petroleum prospecting, to the benefit of the people.

Former Military Cadres' Placement Stressed

HK0305132390 Beijing JIEFANGJUN BAO in Chinese 12 Apr 90 p 1

[Article by Yang Baibing (2799 4101 0393): "Do a Better Job in Making Arrangements in the New Situation for the Placement of Military Cadres Transferred to Civilian Work"]

[Text] In light of the needs of the state and army-building, every year our army has a certain number of cadres retiring from military service and transferred to work in localities. This has already become an important system that tallies with the national and military conditions of our country. Since the founding of our country, the party Central Committee, State Council, and Central Military Commission have attached great importance to this work. To do the placement work well, they have set up corresponding organs and departments, put in a lot of manpower and financial and material resources, and gradually formulated and perfected a series of principles and policies. This fully shows that the party and the state are concerned with army-building, with the cadres who are transferred to civilian work, and with the cadres of the entire army. Under the unified leadership of the party Central Committee, State Council, and Central Military Commission and with a high sense of responsibility, local party committees and governments at all levels regard placement work as a political task, carry it out, and try in every possible way to overcome difficulties and do a good job in training and making arrangements for the employment of cadres transferred to civilian work. They do their best to solve their practical questions. All this is obvious to comrades of the entire army, especially cadres transferred to civilian work, who remain grateful deep in their hearts.

In the new situation, further doing a good job in making arrangements for the placement of these military cadres is of important political significance to army-building and to the state's stability.

In peacetime, our army is still an armed group to carry out political tasks and it shoulders important duties in the course of combating "peaceful evolution," resisting foreign aggression, and safeguarding the security of the state. This special mission of our army determines that individual soldiers must be recruited, retired, and unremittingly updated. Vigor and vitality can be maintained this way. Since Comrade Deng Xiaoping was in charge of the Military Commission work in 1975, arrangements for the placement of cadres transferred to civilian work,

suspended for many years because of the "Great Cultural Revolution," have been resumed and have gradually become a normal practice. This work plays a part in guaranteeing and promoting the smooth implementation of important policy decisions, including our army's reform and construction—streamlining and reorganizing the army, reducing a million soldiers, and enforcing the "three regulations" concerning cadre work. Facts prove that arrangements for the placement of retired military cadres are an indispensable regular task that guarantees the normal replacement and growth of the troops and enhances the combat effectiveness of the military.

Most of the cadres transferred to civilian work, who have been trained and educated by the Liberation Army—a large school—and nurtured with the excellent traditions for many years, have a firm political stand, a strict concept of organization and discipline, relatively good management ability, and a solid style of work and their basic qualities are relatively good in all aspects. They are indispensable in doing the work of the troops or local work well. After their transfer to civilian work, although they need some time to adapt themselves, most become familiar with the situation, bring their superiority into play, and acquire experience in local work very quickly. After working hard, many retired military cadres have become model workers, advanced workers, and outstanding entrepreneurs in their own units and systems and are even well known throughout the country. These facts are very good proof. The achievements scored on all local fronts these years are an embodiment of the blood and sweat of cadres transferred to civilian work. Especially during the disturbance when spring was changing into summer last year, these former cadres took a firm and clear-cut stand and played an active role in curbing the turmoil, putting down the counterrevolutionary rebellion, and stabilizing the situation of the entire country. All this vigorously shows that cadres transferred to civilian work are a valuable wealth of the party and country. While they were in the military, they took great pains and worked hard to lead the troops; after being transferred to civilian work, they likewise became the qualified personnel needed in local construction and reform as well as an important force in the building of a socialist material and spiritual civilization. They can do a lot locally.

Doing a good job in placing cadres transferred to civilian work is necessary for maintaining the stability and unity of the entire society. At present, stability and unity is the overall situation of the country and the army and is an overriding task. This work appears to concern the people "leaving" but is closely linked to the "retained" cadres. Making good arrangements to place for cadres is beneficial because after going to localities, they can adapt themselves to the local situation as soon as possible, give play to their wisdom and intelligence, and contribute toward the economic construction of the country. But such work is also beneficial because the army's appeal and cohesive power can be strengthened and the cadres of the troops are allowed to keep their minds on their

work and devote themselves to national defense. Moreover, a good image of our army can be established among the masses, and the people's concept of national defense can be strengthened. In a word, when this work is done well, military morale and the public's feelings can be further stabilized, and stability and unity of all of society can be promoted.

During a certain period at present and in the future, placement of cadres transferred to civilian work must be based on the overall situation in safeguarding the stability of the country and the stability and unity of all of society and must serve the revolutionization, modernization, and regularization of the army and socialist modernization construction. In the course of placing retired military cadres, it is necessary to adhere to this guiding ideology and basic principle, unify understanding, study policies, and do the work. Over the past few years, to meet the needs of national economic construction and reform of the personnel system, some exploration and reform has also been conducted in placing military cadres transferred to civilian work and some experience has been accumulated. Judging from the practice of the past several years, it is essential to persist in the "three integrations" in order to make good arrangements in the new situation. They are to place former military cadres so that they will be integrated with the macromanagement of local cadres and the military cadres should be included in the overall plan for the recruitment, training, and employment of local cadres. Arrangements for and employment of these cadres should be integrated with their contribution in the military and good arrangements should be made for cadres whose period of service was relatively long, positions relatively high, and contributions relatively great. Allocation according to a mandatory plan should be integrated with the organization's recommendation and selection so that the cadres can work according to their ability and be placed in their proper places.

Placement of military cadres transferred to civilian work are an important and regular political task. It is the common duty of the army and localities to this well. Organizations at all levels of the army must step up ideological education for these cadres, guide them to take the overall situation into consideration, obey allocations, and establish the idea of working hard to start an undertaking, and lead them to places where the Four Modernizations need them most. It is believed that under the correct leadership of the party Central Committee, State Council, and Central Military Commission, and with the close coordination and concerted effort of the army and localities, we can surely do a good job in placing cadres transferred to civilian work under the new situation.

Transferred Military Cadres Urged To Aid State

*HK0305135890 Beijing JIEFANGJUN BAO in Chinese
11 Apr 90 p 1*

[Report by Qiao Linsheng (0829 2651 3932): "At the National Work Conference To Settle Army Officers

Transferred to Civilian Work, Yu Yongbo Urges Officers To Take the Overall Situation Into Account and Share the State's Burdens"]

[Text] Beijing, 10 Apr (JIEFANGJUN BAO)—The 1990 National Conference of Army Officers Transferred to Civilian Work and Settlement of these Officers, approved by the State Council and Central Military Commission, opened here today. Entrusted by Yang Baibing, general secretary of the Central Military Commission, and on behalf of the leaders and organs of the General Political Department of the People's Liberation Army [PLA], Yu Yongbo, deputy director of the PLA General Political Department, extended his warm congratulations to the conference and delivered an important speech. Yu pointed out: The measures adopted to further link the officers' contribution to army building with their transfer and settlement will play an important role in encouraging officers to complete their term of service and forge ahead.

At a time when the current international situation is characterized by turbulence and changes, Yu Yongbo said: We have encountered some temporary difficulties in improving the economic environment and rectifying the economic order at home. Under such circumstances, maintaining stability will be an extremely important task at present and for a considerable period in the future. The army shoulders the special, heavy responsibility of maintaining social stability and unity. Besides implementing the policy of stability, all our work should serve and be conducive to a high degree of stability in the army. This guiding ideology should also be consciously implemented in the work of transferring army officers to civilian work. General secretary Yang Baibing recently pointed out that settling officers transferred to civilian work seems to be officers "leaving," but it is work closely related to those "staying." This is a profound remark. If the officers transferred to civilian work are not properly settled, those on active service will worry about their future. Conversely, when officers are transferred to proper posts and are given the opportunity to use their talents, a good mood will be fostered in society of showing concern for, and supporting the army; this will help enhance the unity and attraction of the army and

encourage the broad ranks of officers to consciously dedicate themselves to national defense.

Thanks to the vigorous efforts of both the army and localities last year, we overcame difficulties caused by the turmoil and counterrevolutionary rebellion and made proper arrangements for tens of thousands of army officers and armed police transferred to civilian work. According to public opinion, arrangements made for army officers transferred to civilian work last year were the best in recent years. On behalf of the officers of the entire army, deputy director Yu Yongbo expressed gratitude to local governments at all levels, particularly the fruitful work done by comrades of the personnel, army transfer, and organization departments. Yu spoke highly of the painstaking work and effort made by these comrades. Viewed from the current situation, Yu said: Efforts have been made in settlement work to properly link assignment, remuneration, and subsidies with officers' behavior in, and contribution to the army. Director Zhao Dongwan stressed today that it is necessary to focus attention on making arrangements for officers at the division and regiment levels who have worked for a long time at the border or on islands. Comrades of the army should tell cadres to develop a correct understanding of and properly deal with this question.

Deputy director Yu Yongbo also stressed paying attention to ideological and political work among officers transferred to civilian work. He said that party committees and political organs at all levels of the army should urge officers transferred to civilian work to make strict demands on themselves, maintain the fine image of the army, strictly observe political discipline, and set an example in preserving stability and unity. They should understand the difficulties of the state and the locality, and not ask for too much. Officers transferred to civilian work should understand that despite the efforts made by the locality and organizations, there may still be some problems in the housing and employment of their dependents because of various factors. They should adopt a correct attitude toward this, consciously carry forward the fine tradition of plain living and hard struggle, take the overall situation into account, be considerate, and share the difficulties of the organization and burdens of the state.

EAST REGION

Jiangsu Democracy Group Calls for Study of Marxism

OW0106131090 Nanjing Jiangsu Provincial Service
in Mandarin 0915 GMT 28 May 90

[From the "News" program]

[Text] The Standing Committee of the Fourth Jiangsu Provincial Committee of the China Association for Promoting Democracy [CAPD] recently held its fourth meeting in Nanjing.

The meeting adopted several opinions on further strengthening ideological and political education. It called for organizations of the association at various levels in the province to strengthen themselves and to do a good job in studying works by Marx, Lenin, Mao Zedong, and Deng Xiaoping in order to improve the political quality of their members. The meeting also called on members of the CAPD to carry forward the fine tradition of voluntarily accepting the leadership of the Communist Party, cooperating with it, and to give full play to the role of the association as a group participating in government and political affairs.

Benefits Seen From Regular Leader-Cadre Discussions

90CM0189A Nanchang JIANGXI RIBAO in Chinese
20 Apr 90 p 4

[Article by Hua Youliang (7520 0327 2733): "A Fundamental Work Method"]

[Text] Regular discussions with cadres enable members of the leadership on the one hand to stay informed of what is going on, and on the other hand provide opportunity for ideological-political work. This always used to be an excellent tradition in the party and it is also a fundamental work method.

During the war years, wherever the fighting front moved, there too went thoroughgoing and painstaking ideological-political work. Leading comrades and lower-level cadres would sit together on the ground for discussions, to keep informed of the military situation, to boost morale, and many cadres were encouraged to take the lead in charging enemy positions, thus, success was ultimately gained in the revolution. In the 1950's, whenever cadres were transferred for work, when different tasks had to be accepted, once the order was given by higher authority or by the personnel department of the party organization, the cadre concerned would without demur pack his bundle and be on his way, an attitude that was highly acclaimed by the masses. During the three years of natural calamities, what grievous hardships and difficulties China had to endure! After the situation was discussed with the cadres and after they were provided with a clear account of the state of affairs, all our cadres would without grumbling join the masses in a concerted effort to jointly tide over the difficulty.

For quite some time, discussions with the cadres had become a fundamental work method, with truly very good results in a better understanding of the cadres, in the training of cadres, in enhancing solidarity, in greater familiarity with the actual situation, and in enriching leadership ideology; it had indeed proven very effective.

Unfortunately, due to a slackening in party leadership and due to ideological remolding and political work, some comrades became unaccustomed to discussions with cadres or even came to dislike such discussions. "Without personal presence, without face-to-face meetings the opinions of others remain unheard." Cadres and masses drifted apart, with a detrimental effect on the enthusiasm of the people. It is necessary now to revive the excellent tradition of discussions with cadres, and, furthermore, to institutionalize these discussion and keep them going for a long time to come.

Doing so will be beneficial for a correct application of the principle of democratic centralism and for the formulation of correct policies. There are limitations to any person's knowledge, and one effective measure to overcome this limitation is to take up contacts with subordinate cadres and through them inform oneself of conditions. Most of their work takes place at the front line in direct contact with the masses. Frequent talks with them can provide abundant "nourishment," broaden one's field of vision, and allow one to become familiar with many things not obtainable through a mere reading of data and in summary reports. It will also prevent or help overcome subjectivism and one-sidedness. Especially in the case of some important problems, it is extremely beneficial for the correct implementation of the principle of democratic centralism and for the formulation and adoption of correct policies to have a discussion with the very cadres concerned with the matter before bringing it up for discussion in the collective, that is, to first hear the opinions of these cadres.

Doing so is beneficial for a direct checking and individual assessment of cadres and helpful for a healthy development of cadres. "One look is better than 100 times hearing about it, one discussion is better than 100 times looking at it." Through discussion it is possible to gain more realistic knowledge, and we must as far as possible reduce errors in the selection of personnel. After a cadre has been promoted to a leadership post, situations will also continue to change, good things may go bad, and unsatisfactory things may become good. Regular discussions, maintaining close contacts with them, approving promptly any of their good points and achievements, giving them helpful education when weaknesses, deficiencies, and insufficiencies appear and letting them know immediately of criticism received from the masses, drawing attention to such criticism of the particular person concerned, and not finally making it a general settlement of accounts, all can be helpful for healthy development of the cadres.

Doing so will also be beneficial for an increased understanding between comrades and for the elimination of

factors of discord. It is unavoidable that some misunderstandings or unpleasantnesses may occur between coworkers and between higher and lower ranks working together over long periods of time; these are normal occurrences. "Chicken and dogs hear each other's noises, but will never, never have anything to do with each other." As time passes, mutual misgivings could develop, and solidarity will suffer. If both sides would talk things over with each other on their own initiative, freely express whatever is on their minds, and thus add to mutual understanding and gain broader knowledge, many misunderstandings could be dispelled, everybody would regain ease of mind, energy would be concentrated on work, and all this would be good for oneself, for the other party involved, and for the work at hand.

Doing so will be beneficial for closer relations with the masses and for overcoming bureaucratism. Regular discussions will enable understanding the work situation of cadres and their livelihood situation, and it will inform of what the mood they are in. Do they have any difficulties or demands? Would they have any criticism or ideas about work in their particular unit? If conditions allow the elimination of difficulties, such difficulties must as far as possible be eliminated. Any one of their reasonable opinions and criticisms must be earnestly studied and must be received without preconceived ideas, having them experience the warmth of the party organization and the solicitude of the leadership. In this way there will be no estrangement between leadership and the masses, and there will be a much improved general atmosphere in the various government organ. "No difficulty is insurmountable if one sets one's mind on it." Keeping up the system of discussions with cadres is of great benefit.

Zhejiang Governor Hosts Taiwan Business Group

*OW2005113490 Hangzhou ZHEJIANG RIBAO
in Chinese 8 May 90 p 1*

[Text] At the invitation of the Zhejiang branch of the China International Chamber of Commerce, 73 members of Taiwan's "Mainland Trade Investment and Commercial Survey Group," headed by Mr. Xiong Qifang, deputy director of the Trade Coordination Committee between the two sides of the strait, director of the Taiwan Export Trade Promotion Association, and director of the Chinese Products Promotion Center, arrived in Zhejiang Province on 7 May for business talks. Relevant persons of the province's trade and economic department, economic planning office, and relevant persons from Hangzhou, Ningbo, and Wenzhou cities gave a briefing about our province's investment climate and matters dealing with economic and trade cooperation. Mr. Xiong Qifang, head of the Taiwan commercial group, described Taiwan's present economic situation and investment intent of Taiwan's businessmen to the hosts. The survey group will hold business talks and visit plants this morning.

The visit of this commercial survey group marks the first visit of a large industrial and commercial group from

Taiwan to our province since the forming of the trade coordination committee between the two sides of the strait in December of last year. Yesterday morning, after meeting with Vice Governor Wang Zhonglu and the leaders of relevant provincial and city departments, the visiting commercial group met with departments and bureaus in the province for business talks. Both sides explored economic cooperation possibilities, laying a foundation for future trade and economic cooperation.

Yesterday evening, Governor Shen Zulun hosted a welcoming banquet at Hangzhou Shangri La Hotel for the Taiwan guests

SOUTHWEST REGION

Guizhou Official Urges Crackdown on Crime

*HK2905061190 Guiyang Guizhou Provincial Service
in Mandarin 2200 GMT 26 May 90*

[Text] Hu Kehui, secretary of the Political and Legal Affairs Committee of the Guizhou Provincial CPC Committee, made a televised speech yesterday, calling for all areas to take immediate action and make concentrated efforts to crack down on major and serious criminal activities in Guizhou with a view to bringing about sustained, steady, and coordinated political, economic, and social development.

In her speech, after expounding the necessity of launching a province-wide struggle against major and serious crimes, Comrade Hu Kehui said that over the past few years, Guizhou has carried out a series of struggles against all types of criminal activities and severely punished a number of criminals. These successful struggles have greatly promoted political and social stability. However, Guizhou still faces a rigorous situation in social order at present. It has witnessed a sharp increase in organized crime over the past few months, which has caused strong indignation among people in all walks of life. Therefore, in order to maintain social stability, and protect the life and property of the broad masses, it is imperative that a new round of struggle against criminal activities be launched.

Comrade Hu Kehui stressed that in carrying out the struggle against criminal activities, it is necessary to adhere to the spirit of the "Decision of the Sixth Plenary Session of the 13th CPC Central Committee" and the spirit of the National Conference on Political and Legal Work; focus more energy on large cities and transportation lines; concentrate more effort on cracking down on all types of organized crime and major and serious crimes, including larceny; capture more fugitives from the law; rectify social order; step up the building of grassroots organizations; and carry out comprehensive control of social order.

He pointed out that in order to make the forthcoming struggle against crime a complete success, the CPC committees and people's governments at all levels must

strengthen their leadership over the struggle, guide and organize the struggle in a unified way, and fully mobilize and rely on the broad masses of the people.

He issued a warning to all types of criminals, ordering them to stop committing crimes at once, give themselves up, and confess their crimes to public security organs at all levels. Hu said that if they do not, they will be punished more severely.

Comrade Hu Kehui held that under the unified leadership of the CPC committees and people's governments at all levels in Guizhou, and with the cooperation and support of the people in all walks of life and the broad masses of the cadres, Guizhou will certainly be able to make the forthcoming struggle a complete success and witness sustained, steady, and coordinated political, economic, and social development.

Former Tibetan Slave Recalls Old Society

OW2705010890 Beijing XINHUA in English
0747 GMT 26 May 90

[Text] Lhasa, May 25 (XINHUA)—Although he has been liberated for more than 30 years, Nyima Cering, a former Tibetan slave, still looked frightened at the mention of his former master, Wangdui Doje.

The thing 55-year-old Nyima Cering fears most is the return of Wangdui Doje from his foreign haven to make him lead the life of a slave again.

In a recent interview Cering said: "I treasure the life I lead today because I know what life in old Tibet was like. A handful of people advocate Tibetan independence. To me, independence just means the reappearance of a nightmare."

Born to a lifelong slave couple in 1935, Cering and his eight older brothers naturally became the slaves of Wangdui Doje, the owner of their parents and Kesong Manor in Nedong County in southern Tibet.

When Cering was born, his family ran out of food. His father tried to borrow grain from his owner, but instead of lending him grain, Wangdui Doje beat Cering's father to death on the pretext that he had loafed on the job. His mother was then forced to do the heavy work around the manor and soon died of overwork.

Without adult care and supervision, Cering's eight brothers all either drowned or starved to death. Cering, who had lived as a slave for 16 years, became the only survivor of his 11-member family.

"Even so," Cering said, "my family had better luck than the many other slave families, whose members all died of torture under the old Tibetan slave system."

Cering shuddered as he told the story of fellow villager Chilaido. Starving, Chilaido and his children scooped up grain which had leaked out of Wangdui Doje's grain store.

When Wangdui Doje caught them, he ordered all six members of Chilaido's family chained and then beat their bottoms with clubs and leather-thonged whips. After flogging their bottoms, Wangdui Doje ordered boiling oil sprayed on their wounds and then continued the beating. After that, he slowly cut meat from their bodies. The whole family was tortured to death.

After telling the story, Cering's eyes were full of tears. He pointed to the people around him and said that most young people born after liberation, including his two daughters and four sons, did not understand the miserable plight of the Tibetan people under the slave system, because they had never had to worry about food and clothing and have never been enslaved.

A much bigger village, Kesong Village, has been established on the site of Wangdui Doje's old manor. Cering said all the village's 167 families have modernized their houses. They are even more beautiful than the houses of the former slave owner's manor.

The village, with 56 privately owned tractors, had a per capita income of 500 yuan (110 U.S. dollars) last year.

Hanging in Cering's new house is a photo taken in Tiananmen Square in 1959. Cering had gone to Beijing to attend the celebration of the 10th anniversary of the founding of the People's Republic of China as a representative of the peasants of Nedong County. He said that during this trip he had the honor of being received by Chairman Mao Zedong.

Cering said he would welcome the Dalai Lama group's return to Tibet as common citizens if they give up their dream of independence for Tibet.

Cering said he will never again bow to Wangdui Doje or any other former slave owner.

Masses Help Maintain Social Order in Yunnan

HK2905010390 Beijing RENMIN RIBAO in Chinese
10 May 90 p 3

[Report by Ma Zhiheng (7456 1807 1854) and Ren Weidong (0117 4850 2639): "Masses in the Cities and Rural Areas of Yunnan Province Maintain Effective Social Order"]

[Text] More and more mass organizations help public security committees maintain social order in Yunnan Province and are becoming a vital new force for maintaining public security and preserving stability at the border. At present 310,000 people have joined various mass organizations responsible for maintaining social order. The number of public security committees has increased to 20,000, with membership totaling 230,000; there are 1,900 full-time public security joint defense teams with a membership of 16,000; and 19,000 public security groups that assume full responsibility for maintaining social order under contract with a membership of 69,000.

All these organizations are taking root among the masses and maintaining close ties with the people, playing an important part in preventing, discovering, and cracking down on criminal offences; maintaining social order; solving difficulties for the masses; and building a society having an advanced cultural and ideological level. Statistics show that in just last year, they helped remove elements that were likely to lead to instability in 34,000 cases; provided clues for solving 7,000 criminal cases; helped public security organs investigate and deal with 15,000 cases in violation of the law; arrested 17,000 criminals; helped mediate 260,000 cases involving disputes among people; and subjected 29,000 juvenile delinquents to discipline and education.

The public security work done by urban and rural residents enjoys the great support of party committees and governments at all levels.

Special organizations combining party and government leaders were set up in many counties and villages. It has also been decided that these mass organizations responsible for maintaining social order will receive financial remuneration. In the meantime, public security organs have provided them with professional guidance and helped them with training, ideological education, and with instituting all kinds of rules and regulations, ensuring that the mass organizations will grow continuously.

NORTHEAST REGION

Liaoning County Benefits From Party-Masses Groups

90CM0064A Shenyang LILUN YU SHIJIAN
[THEORY AND PRACTICE] in Chinese No 4,
15 Feb 90 pp 25-26

[Article by Lou Dengya (1236 4098 0068), Changtu County CPC Committee secretary: "The Party-Masses Getting-Rich Group Is the Catalyst for Building the Two Civilizations in the Countryside"]

[Text] In the time since party-masses getting-rich groups began emerging in the rural areas of Changtu in 1987, these groups have been enthusiastically welcomed by the vast numbers of party members and the broad masses of the people. They were organized with party members and getting-rich experts as their nucleus and quickly spread throughout the county. Through several years of hard work and summing up, great progress was made in structural organization, internal activities, system building, management benefits, and other aspects. These groups were formed as one group with many qualities, dispersed management, and specialized in developing the aspects of management. Many specialized villages and townships (towns) emerged that concentrated on commodity production, coordinating the process of planting, cultivating, and processing, and making possible a series of economically integrated bodies encompassing production, supply, and marketing. These

groups are not only economically integrated, but are also political activity centers that thoroughly implement related policies from the party and government, and strengthen the building of spiritual and cultural civilizations. At present, Changtu County has 14,558 of these groups with 83.5 percent of the county's peasant households and 92.8 percent of peasants and party members actively participating in the activities of party-masses getting-rich groups. It has been proved in practice that the party-masses getting-rich group is suited to the objective needs of agricultural reform and for developing commodity production, and is in keeping with the aspirations for prosperity of the vast numbers of peasants. The group is also an effective way to strengthen party building in the new period, and for giving play to the model vanguard role of the broad numbers of party members. The party-masses getting-rich group has already become an important catalyst for building the two civilizations in the rural areas of Changtu that cannot be ignored.

The Development of Agricultural Commodity Production and Economic Prosperity Has Been Accelerated

The important mission of party-masses getting-rich groups is to lead the masses in their development of commodity production and to realize joint prosperity. In recent years, the party-masses getting-rich groups have manifested tremendous strength in the rural areas of Changtu; many things that could not be done or done well by one family of household in the past are readily solved since the advent of the party-masses getting-rich group. The development of the party-masses getting-rich group has resulted in a rational composition of labor power, means of production, science and technology, and other major elements of the productive forces; has made it easy to concentrate funds and manpower for development of intensive farming; and has provided organizational guarantees for the rapid development of the commodity economy. At present, the number of agricultural commodity products throughout the county has grown to 21,800; this is a 183 percent increase compared to 1986 when party-masses getting-rich group activities had not yet started. There were 12 commodity production bases formed, including bases for hogs, poultry, fruit, vegetables, and tobacco. The county has been basically formed into seven specialized townships, 150 specialized villages, and 6,981 specialized teams (accounting for 49.6 percent of the getting-rich groups) for commodity production. The total output value of this diversified agricultural economy has reached the highest level in history with nearly 20 percent of peasant households' per capital income exceeding 1,000 yuan. The number of impoverished households, villages, and townships has gradually declined, and there has been a marked change in the face of the rural economy. The broad masses praise the party-masses getting-rich group as an effective way to realize joint prosperity.

Party Building in the Countryside Has Been Promoted

After the rural areas implemented the joint contracted responsibility system, some rural party branches felt they could not get a handle on party building, many party members were puzzled and did not know how to give play to their role. The party-masses getting-rich group emerged as a point for combining politics and economics; these groups organically combined party building and economic work, and gave full expression to party building by thoroughly carrying out the fundamental guiding ideology that serves the basic line of the party. The grassroots organizations of the party shone with new life and vitality and the party members found a way to give play to their role. There are nearly 10,000 party members throughout the county acting as group leaders. In the activities of these groups the party members conscientiously carry out "leadership in five areas"—they lead the way in getting-rich projects, serving the masses, doing a good job in building the spiritual and cultural civilizations, in completing each task, and in ideological and political work for the masses.

By this "leadership in five areas," they have not only spurred the building of the "two civilizations" throughout the groups, but have also caused the overall quality of party members to be raised. The party members' concept of party spirit and serving the people has also been strengthened. Communist Party member Li Fuming [2621 4395 2494] of Shuangshuzi village in Laosiping township, led his group of 10 households in opening up 80 mu of new paddy fields in 1989. During the period of transplanting rice seedlings the area experienced a drought and the source of water became very critical. Li Fuming was responsible for operating the water pump; when releasing water he first irrigated the rice fields of the masses, then those of party members, lastly, he would irrigate his own. Last year, this group's average rice yield was 1,000 jin, and from this one project the group attained a per capita income of 1,300 yuan. Comrade Li Fuming said, "when I see this bumper harvest by the families in this group it makes me happier than anything else." Since 1988, peasants and party members have jointly solved for the masses more than 30,000 problems related to production and daily life, settled the use of 4.06 million yuan in funds, gave technical guidance 28,000 times, and passed on 11,000 items of information for getting rich. Party members have truly become the mainstay and close friend of the masses, the relationship between the party and masses is closer, and the solidity and capacity of party organs has been strengthened. More and more peasants are applying for party membership; 262 heads of groups not in the party and peasant getting-rich experts have become party members through the deepening agricultural reform and the development of party-masses getting-rich group activities.

The Building of the Spiritual and Cultural Civilizations Has Been Advanced

In the expanding activities of the party-masses getting-rich groups, not only did party members exert a subtle

influence on the masses through their model leadership role, but also by carrying out ideological and political work for the masses, organizing study of party policies by the masses, and developing healthful and beneficial political and cultural activities, they educated and guided the masses in raising their ideological consciousness and their political and cultural qualities. This resulted in a gratifying change in the spiritual outlook of the broad masses. The development of party-masses getting-rich group activities strengthened the peoples' patriotism, collectivism, willingness to help others, and other exemplary ideological and moral views. It aroused the people to transform social conditions, and it built enthusiasm for a new socialist rural area. Support for party leaders and hard work and honesty in getting rich became the common belief and code of conduct for the peasant masses. The general mood of society in the countryside is good, social order is stable, the peasants have ease of mind, and they live and work in peace and contentment. Throughout the county have emerged a total of 264 provincial, municipal, and county level cultural villages and 120,120 "five-good households," this figure represents 56 percent of the total peasant households in the county.

In summary, the role of the party-masses getting-rich group in the countryside has become more and more evident. The groups have become an important catalyst for implementing the specific and general policies of the party and government, and for promoting various aspects of work in the countryside.

Looking at the actual situation in the development of party-masses getting-rich groups in Chengtu County over the past few years, the groups, in general, have taken on the following forms.

One form is that development has changed from multiple trades to one group-one product (that is, one group stressing one getting-rich project). In the early stages of establishing party-masses getting-rich groups, the various getting-rich projects were not unified and results were not very good. However, the Wangyao getting-rich group in the town of Jinjia, through rectification and consolidation built up the getting-rich project of goose-feather processing; this resulted in all 17 households becoming households earning over 10,000 yuan. We quickly spread the experiences of the Wangyao group throughout the county. At present, the county has 7,941 groups carrying out the one group-one product form, which represents 54.5 percent of all groups in the county.

The second form is the development toward specialized villages and townships. In recent years, some groups that were already practicing one group-one product began to branch out from their groups' narrow scope of operations. These gradually expanded outward with the trend of groups forming settlements, settlements forming villages, and villages forming townships. In 1987, party member Zhao Zhongchen [6392 1813 5256] from Xiaogou village in the township of Chaoyang led his group of 11 peasant households in the production of grapes;

they transplanted over 2,500 vines. Gaining motivation from the actions of this group, 38 groups in Xiagou village began working on this project in 1988. The work done in Xiagou caused a sensation throughout the township, with all villages in the township learning from the experience of Xiagou, resulting in 360,000 grape vines being transplanted and the area becoming the famous grape township of northern Liaoning.

In addition, the townships of Liangzhongqiao, specializing in knit goods; Mashenhe, specializing in building materials; and Sihe, specializing in the raising of geese, have become economic entities that have combined planting, raising, and processing, are highly specialized in coordinating production, supply, and marketing, have products of excellent quality, and attain good economic benefit. The party committee in the town of Baoli, in order to arouse the enthusiasm of the groups for developing the broiler-chicken industry, amassed funds and established "three plants, one location." This is a technical guidance center for the hatching farm, feed-processing plant, and chicken-processing plant, which has supplied excellent service for the development of the broiler-chicken industry and has effectively promoted broiler-chicken production throughout the town. Now, 18 of 21 villages of the town are operating chicken farms, nearly 100 groups with close to 1,000 peasant households are raising nearly 1 million broiler chickens and 200,000 geese. Through the increased value of meat processed, the total output value could reach over 20 million yuan, or one fourth of the town's total output value for industry and agriculture.

The third form is the gradual development from specialization towards integration. Since party-masses getting-rich groups were established for specialized areas, their production items are the same and their economic activities are increasingly integrated, gradually creating favorable conditions for all concerned. This is causing the groups to be oriented towards a higher level—heading in the direction of integrated entities. Formerly, a few independent knit-good households of Yangmu village in Liangzhongqiao township were each going their own way, working only for their own success, and making little profit. Last year, after the group divided specializations under the leadership of party member and group leader Shi Xiang [0670 4382], households combined funds to purchase new equipment and materials, enlarged the scope of operations, and became an integrated entity that made the manufacture of gloves the main production goal. Work was clearly divided among the group's members, each had his own job and responsibilities, and people from outside the group were brought in to supplement production. The group produced 130,000 pairs of gloves last year, with over 70,000 yuan in output value. Currently, Changtu has 940 groups engaged in transportation, processing, building, food service, trade, and other business. It has already gone a long way toward combined entities.

In summary, regardless of which form is adopted, the wishes of the masses must be upheld, and we must

persist in proceeding from actual conditions, and persist in "grasping with both hands"; this will mean getting a handle on getting rich, ideology, and education. This is an important link in ensuring that party-masses getting-rich groups develop along a healthy socialist orientation. Additionally, all levels of county and township party committees and governments need to strengthen guidance, do a good job classifying and promoting, do a good job in the service of technical training and consultation before, during, and after production, and in mediating between production, supply, and marketing. Gradually helping each township and village establish a "dragon's head" getting-rich project is vital to changing the appearance of Changtu's countryside, deepening rural reform, and for bringing prosperity to the rural economy. Recently, we have just started to thoroughly implement the spirit of the Fifth Plenary Session. We believe that with the encouragement given in the spirit of Fifth Plenary Session party building will be handled even better and that party-masses getting-rich groups will achieve new and even greater triumphs.

Marxist Philosophy Lifts Shenyang Leadership Level

90CM0142A Shenyang LILUN YU SHIJIAN
[THEORY AND PRACTICE] in Chinese No 5,
5 Mar 90 pp 8-9

[Article by Wang Shengyi (3769 5116 3300), secretary of the Tiexi District CPC Committee in Shenyang: "Apply Philosophical Viewpoints To Raise the Level of Leadership"]

[Text] Marxist philosophy is the systematic, theoretical, and scientific world outlook and methodology of the proletariat, the most potent ideological weapon for guiding our work. In the new era of reform and openness, leadership work is faced with contradiction after contradiction, difficulty upon difficulty. How are we to reconcile the contradictions, overcome the difficulties, and press ahead in our work? In my experience, the most important thing is to study Marxist philosophy in earnest and put it to use successfully to guide our work. Over the past several years, the leading group in our district studied Marxism in action and used the basic Marxist theses to observe, analyze, and solve problems, making notable improvements in all areas of work. Practice proves that arming cadres at all levels with basic Marxist teaching is the most basic and effective way to raise the level of leadership and achieve scientific leadership.

1. See through the superficial to grasp the essence of things. Look beyond the complex array of things to get to the root of the problem.

New conditions and new problems emerge endlessly amid reform and openness. Moreover, these new conditions and problems are often wound together like a ball of yarn. Leaders often do not know how to deal with them or where to start. This being the case, the most critical thing is whether we are able to grasp the essence of things. Comrade Mao Zedong said that we must judge

things by their essence and treat their appearance as a guide. As soon as we are done with the appearance, we must try to grasp the essence. This is the only reliable and scientific method of analysis. To do so, we must be steadfastly objective and comprehensive, delve deeply into realities, study carefully, and gather extensive amounts of data for comprehensive analysis. Only thus can we get to the heart of a problem. Most of the leaders on our district CPC Committee took up leadership positions after 1983. At present we are faced with a plethora of problems and contradictions, the most vexing of which is mutual suspicion between the leading groups in a number of departments directly under the district. None is willing to yield to the others and all are trying to undermine one another. For instance, the director of a neighborhood office complained to the Organization Department of the district CPC Committee about the secretary of the neighborhood CPC Committee. He talked from morning to night and still was not finished. The secretary, for his part, also exposed the director to the district CPC Committee. His lengthy complaint filled four letters, the last of which ended with this note: "To be continued." Actually, all his letters talked about were the most trivial and petty of things, essentially unprincipled disputes and quarrels. We responded by "shifting people around," "mediating differences at the expense of principle," or "giving each of them 50 strokes on the buttocks." Things quieted down for a while, only to erupt into another dispute. By the time we stabilized one agency, discord had broken out in another. We learned our lesson from this situation, which had negatively affected our work, and began analyzing its root causes. For more than a month, we concentrated manpower on a comprehensive study and analysis of the leading groups in all 71 commissions, departments, offices, bureaus, companies, and neighborhoods in the district. I learned that there were diverse reasons why leading groups in some departments and units were disunited. Sometimes it was a question of how people handled power or personal material interests. Sometimes it had to do with work method or personality. In a few cases, it was a question of ideology. In the final analysis, however, they all had to do with the poor caliber of cadres, the root cause behind numerous unprincipled disputes. With this situation in mind, we first did our best to raise the ideological, political, cultural, and professional qualities of the corps of cadres through a variety of ways. Taking into account the conditions in the district, we set up a cadre training program, a selection system, awards and punishments system, and competition system, and we ended job security by abolishing the cadre-for-life system. After a period of hard work and training, the consciousness of the cadres in some units went up. Subsequently, contradictions were naturally resolved, the leading groups of many units were even more unified, and the strength of the group as a whole became more apparent. Things took on a new look. In the process of solving this problem, I became deeply convinced that if the leading cadres are not adept at grasping the essence of things but are influenced by the superficial, they may treat symptoms

and not the disease. In the end, they will be weighed down with work, achieving nothing.

2. Recognize the inevitability of things and prevent work from becoming one-sided.

The inexorability and inevitability of things reside in their fortuity, and fortuity often reflects their inevitability. Leaders must be good at identifying the inevitable in fortuitous things, a major way to prevent work from becoming one-sided and minimize mistakes. For a few years after the authorities above assumed control, collective neighborhood enterprises in our Tiexi District experienced rapid growth. Expanding the collective economy was all the rage. In 1984, five neighborhood enterprises earned profits exceeding 1 million yuan each and were called the "five golden flowers" by the masses and cadres. But, just as we were wallowing in the joy of triumph, the "Chendan incident" occurred, which shocked the nation. Wang Jilong [3769 4949 7893], manager of the Chendan Company in the Mazhuang neighborhood, used all kinds of tricks, including the signing of phony contracts, to defraud others of advance payments. He personally squandered 180,000 yuan in corrupt money and caused the neighborhood almost 1 million yuan in losses. To some comrades, the wilting of one golden flower was a fortuitous event, which came about only because the company happened to be run by a guy named Wang Jilong, a pseudo-capable person. Within the neighborhood office, some leading comrades also believed that their mistakes were fortuitous, chance happenings. In the aftermath of the Chendan incident, some people tried to rationalize it while others were sympathetic. The district CPC Committee analyzed the situation in depth using Marxist philosophy and concluded that the incident was neither accidental nor isolated, but the inevitable outcome of economic overheating. As the neighborhood collective economy was growing rapidly, some cadres, in their eagerness for instant profits, did not care about the political quality of the people they hired and deviated from the socialist direction in the way they operated enterprises. Cases of corruption and fraud similar to the Chendan incident might very well have occurred elsewhere if not in the Mazhuang neighborhood. In fact, to varying extents similar problems had indeed appeared in other neighborhoods. At the time the 21 neighborhoods in the district employed a total of 240 so-called capable persons, of whom 60 percent lived up to their billing, three percent were crooks, while the rest were mediocre. Outside the Mazhuang neighborhood, the crooks caused economic losses worth more than 2.6 million yuan by launching projects irresponsibly and through sheer fraud. Engels said, "Things deemed inevitable are the result of pure chance, while things considered accidental mask a kind of inevitability." When the economy is overheated and targets are set too high, it is inevitable that projects will be started and people hired thoughtlessly, resulting in economic losses. The Chendan incident teaches us a lesson, correcting the guiding thought behind economic development and our hiring standards, thereby making

our work less haphazard and one-sided. I feel that the basic attribute of a leader is the ability to spot a general problem in a particular fortuitous event and respond to it promptly. "As soon as he sees a fallen leaf," a leader should realize that "fall is upon the land." Only thus can we avoid making major mistakes and severely setting back the undertakings of the party and the people. One can acquire and foster this sight and sensitiveness only through practice by studying the Marxist philosophy.

3. Acquire a scientific leadership style and seize the initiative in all areas of work.

By studying Marxist philosophy, we have mastered a number of scientific leadership methods and work methods, thus seizing the initiative in leadership work in the district. Comrade Mao Zedong said, "Whatever we do, we communists must follow two methods. One is integrating the general with the particular, the other is integrating the leader with the masses." These are the two most important scientific leadership methods and work methods.

What Chairman Mao Zedong referred to as the combination of the general and the particular is actually the concrete application in leadership of the Marxist dialectical principle of the interaction between the generality and particularity of contradiction. In the course of adjusting the leading groups in order to achieve the "four modernizations" of cadres, we encountered a large number of midlevel cadres in their 50's, poorly educated, but highly experienced and in good physical shape. What to do about them? Should we impose one solution across the board as in the past or should we proceed from realities and keep some veteran cadres? If we kept them, we would not be able to lower the average age of the leading group as a whole or raise their educational standard. On the other hand, if we let them go, we would idle and waste a large number of qualified personnel. Accordingly, we adopted the approach of combining the general with the particular to achieve the "four modernizations" of cadres. On the one hand, we promoted a host of young, energetic, and middle-aged cadres who had both ability and political integrity. On the other hand, we broke with the metaphysical viewpoint that the younger and more highly educated, the better, and made proper arrangements, depending on individual circumstances, for cadres about 50 years of age. Cadres who were too old and physically infirm were given jobs at the second front, while physically fit, experienced, and enterprising cadres were kept in their original positions. As for the handful of veteran cadres just over 50 years old who had outstanding performance and a pioneering spirit, they were promoted as usual. By making these arrangements tailored to suit different circumstances, we ensured the four modernizations of cadres, on the one hand, and calmed the thinking of most cadres, on the other, thus making them even more enthusiastic and ready to seize the initiative in their work. In the past few years, these comrades quietly immersed themselves in hard work, willingly bearing the burden of office and

ever eager to improve their work. They have done their best as veteran comrades and made lasting contributions to district development.

The approach of integrating the leader with the masses actually reflects the role played by the masses in history and the party's mass line. The masses are the creator of the material and spiritual wealth of society and the decisive force in driving social change and historical progress. Amid reform and openness, we adhered to the idea of "from the masses, to the masses": Whenever a major decision in the district is at stake, we insist that the opinions of the masses and the grassroots cadres be heard, make the most of people's representatives and the political consultative conference, and put ourselves under mass supervision. In the course of rebuilding the Dalu slum, for example, we relied heavily on the self-consciousness of the residents and social forces. It took us just 18 days to move 3,600 households and rebuild 220,000 square meters, thus achieving our objective of moving residents back to the area within the same year. On the day the residents were moved back, over 10,000 people set off firecrackers and beat gongs and drums to express their gratitude to the party and government for doing a good deed for the people.

During the past several years, the leading groups in the district steadfastly studied and applied Marxist philosophy, making considerable progress in the construction of both civilizations, and enabling us to join the ranks of civilized districts in the province. Practice proves that Marxism is an inexhaustible source of energy. It is imperative that we study and apply Marxism if we are to complete the various undertakings in the new era. In the future we must continue to study and apply Marxism without fail.

Rural Cadres Advised of Benefits of Philosophy Study

90CM0065A Shenyang LILUN YU SHIJIAN
[THEORY AND PRACTICE] in Chinese No 4,
15 Feb 90 p 8

[Article by Zhang Qiang (1728 1730), deputy town mayor in the people's government of Wanyuandian Town, Lingyuan County: "Perhaps Our Rural Cadres Should Study a Little Philosophy"]

[Text] As spring merged into summer in 1989, the CPC Central Committee adopted decisive measures to smash the counterrevolutionary rebellion that erupted in Beijing. Then, drawing on historical experience and the lessons of counterrevolutionary rebellion, the CPC Central Committee issued a call for all party cadres to study Marxist philosophy diligently. This wise move conforms to China's national conditions, and, for a time, studying philosophy was fashionable nationwide. Studying philosophy is not merely something that mid- and upper-level cadres must do: It is something essential for all rural cadres, who constitute the majority and most basic level of cadres in China.

Having rural cadres learn philosophy will promote a close relationship between cadres and the masses. Rural cadres spend their days laboring on the front lines: It is they who have the most contact with the masses, and their every word and deed directly affects the variable relationship between cadres and the masses. In the past few years, because of changes in the rural situation, many tasks have increased in difficulty and some rural cadres have felt that they are responsible only to the higher authorities. They have forgotten (or they have fundamentally misunderstood) one of the basic viewpoints of historical materialism—the mass viewpoint—as well as the purpose of service to the people. This has led to a very tense relationship between cadres and the masses, making it difficult to get the work going. If we study philosophy and understand certain fundamental positions and methods of dialectical and historical materialism, such as their positions on practice, on the dialectic, on the connection between theory and practice, on the masses, and so forth, and if we are able to apply these precepts concretely in our work, we will be able to attract the trust and the support of the masses and ensure long-term invincibility. This will help the party to maintain flesh-and-blood ties to the masses for a long time to come.

Having rural cadres learn philosophy will help to improve work efficiency. Some people say that work in the countryside consists merely of “mobilizing people, guiding production, expediting grain farming, and asking for money,” which can be done without studying philosophy. This is not true. Integrating correct theory with effective work methods will inevitably increase work efficiency. As people often say, the multitude of tasks that must be performed in the countryside is like “threading a thousand threads through a single needle.” Often, rural cadres are running around in circles, at a loss as to what to do. If we learn philosophy, we will come to see that objective things can be understood. We must attain a grasp of some basic views, such as the relationships between internal and external causality, the relative and the absolute, opposition and unity, and individual action and mass wisdom; we must try to understand every practical problem from a rational standpoint rather than an emotional standpoint; and we must learn to view issues comprehensively, developmentally, connectedly, and by dividing each issue into its two component parts. If we do so, we will be able to bring one-sided, static, isolated, absolute ideological methods under control, and come to a basic understanding of the standpoints, viewpoints, and methods we need to analyze and handle issues. Then we will be able to grasp the essential contradictions, seize the initiative, and promote smooth development in every task.

Having rural cadres learn philosophy can reduce work mistakes. Marxist philosophy is the only scientific world view and methodology. For many years now the CPC has proceeded under its guidance along a difficult and tortuous path, carrying revolution and construction constantly forward from one victory to another. Today,

under the influence of reform and opening up to the outside world, we must still use Marxist philosophy to unite our thinking and guide our work. Otherwise, we will make mistakes in objective judgment and policy implementation.

If we are to learn philosophy we must persevere. Some people say that rural cadres are too busy and too poorly educated to learn philosophy. This does not truly reflect the situation. Of course, time and educational level are both specific factors that affect philosophical studies, but they are not the decisive factors. The keys to this issue are concentration and perseverance. Marxist philosophy is a systematic theory realized through practice, and it is neither abstruse nor mysterious. In reality, we often apply philosophy in our day-to-day lives and work. For example, when we make decisions about what is advanced and what is backward; when we choose whether to use propaganda, education, and ideological and political work on the one hand, or administrative, economic, and legal means on the other hand; when we proceed based on practical reality; or when we make objective and subjective choices, all these things involve plenty of philosophical principles. It is just that we do not consciously categorize them as philosophical. If we can systematically study philosophical theory and then examine our work, we will be able to know what we have done right, what we have done wrong, and where we need improvement. Then we will know from experience that studying philosophy has a great role to play in our lives. Conquering our fear of difficulty is a prerequisite to learning philosophy; the basic way to learn philosophy is to move from the superficial to the profound—to begin with the easy aspects and proceed later to the more difficult aspects. The ultimate reason for studying philosophy is to guide our work.

Learning philosophy will bring us lifelong benefits. Rural cadres absolutely must eradicate their tendency to feel “disassociated” from philosophical study or to regard it as “useless.” It is essential that they conquer their fear of difficulty, actually study a little Marxism, and make it a guide for analyzing problems and handling affairs.

NORTHWEST REGION

Widespread Child Labor Persists in Xinjiang

90CM0091A Shanghai SHEHUI [SOCIETY]
in Chinese No 2, 20 Feb 90 pp 21-22

[Article by Zhu Mei (2612 3780) and Li Yawen (2621 7161 2429): “Child Labor Flourishes Along Ancient Silk Road”]

[Text] A. After the picture of “poor Zi Guli” [1320 0657 7787] appeared in RENMIN RIBAO, society responded strongly and swiftly. There was an outpouring of public sympathy for the 10-year-old girl who was photographed standing on a stool to iron a full-length woolen man’s coat with a 500-watt iron. Naturally it also made party committees at all levels pay attention to the problem of

child labor in southern Xinjiang in China's remote frontier. The industry and commerce administration bureau of the Xinjiang Uygur Autonomous Region and other pertinent departments issued notices strictly prohibiting private and collective enterprises and individual commercial and industrial households from hiring child laborers.

However, half a month after child laborers were sent home, child labor has reemerged on the ancient Silk Road. Never before since the PRC was founded have there been so many child laborers operating in such a wide area. Never before has child labor gathered so much momentum. Child labor in all trades fill the streets and lanes of Kashi, a strategically important city along the Silk Road. Below we describe a number of scenes from real life:

Scene 1: A bicycle repair shop on Main Street. An Uygur instructor training three Xiaobalang apprentices, the youngest only nine. All three have had more than two years of experience in bicycle repair and are quite skilful. Clearly they are not attending school, at most having spent a year there. Their only aspiration is to learn a trade and make a living.

Scene 2: A dressmaker's shop operated by A Ji [7093 0079] and Mi Jiti [4717 0079 2251]. Only in their 20's, they are already training three apprentices. As soon as we entered their shop, which is none too spacious, we saw two girls, about 10 years old, sewing on buttons. They only want to be allowed to stay here to learn a skill instead of being sent home by their masters.

Scene 3: The neighborhood-run Yawake Carpet Factory. A group of 14- and 15-year-old youngsters making native candies. Another group of young girls knitting sweaters beside the machinery. In the dim light are six young carpet workers. Sitting face to face, they are weaving skillfully, earning less than 1 yuan for their eight-hour workday.

Scene 4: In front of a chest factory, its goods shining in the sun. The master worker and his seven apprentices (the youngest only nine) are feverishly nailing golden plates on wooden chests, hammering away with amazing speed as if there were no one else present. Like their counterparts in other handicraft workshops, these young apprentices earn nothing more than three simple meals a day and a few yuan in pocket money during the Chinese New Year and on important holidays.

Kashi indeed has a strong national flavor. Here small high-speed sedans coexist with bell-ringing mule-driven carriages of the 1920's and modern girls share the same streets with veil-covered women. Here the ancient and the modern, the backward and the advanced are merged into one. Ignorance is deep-rooted. Of course, Kashi is a center for the handicraft industry and individual commerce in southern Xinjiang. There is a confusing maze of streets devoted to carpets, hats, copper goods, chests, small woodwork, boots, food, and native products. The Sunday bazaar, in particular, is so sprawling that it

seemingly transports you into a sea of humanity. The leader of the municipal industry and commerce administration bureau told us that, although the city's population was less than 220,000, there were already 4,700 tax-paying individual households. Most of these handicraft producers make and sell their own products and on average employ three child laborers. The use of child labor has gathered tremendous momentum. It is commonplace in over 20 municipalities and counties in three autonomous prefectures in the south. Child laborers are becoming a new army of illiterates numbering in the tens of thousands.

B. Is the wave of child labor sweeping Kashi caused by family economic hardships alone? We believe there are deep historical and social reasons.

First, habits die hard. The traditional handicrafts of the Uygur people are still highly praised and admired today. But the practice of acknowledging someone as one's master and learning a skill from him at the tender age of eight or nine has encouraged the notion that "if you have a skill, you need not worry about hunger." This is the historical objective reason behind child labor.

Second, lack of employment opportunities. The net industrial output value of Kashi is only 13 million yuan. Of its 72 enterprises, none employs more than 100 workers. The employment opportunities provided by the city's backward industry are woefully limited. Already there are over 8,000 unemployed people this year. Parents would rather have their children learn a skill early and make a living than to have them graduate from high school without being accepted by a college or technical school.

Third, excessive population growth has made it more difficult to find a job. In the past decade, the population of Kashi expanded 43 percent. The average size of the impoverished household is 7.8 persons, of whom only 1.55 are employed. Rapid population growth has condemned children to live in poverty, unable to afford schooling. And children deprived of education provide a source of cheap labor.

Child labor not only provides employers with a source of cheap labor ripe for exploitation, but also creates an army of illiterates, a major hidden danger for our modernization in future. On the one hand, illiterates cannot reach a high level of productivity. On the other hand, they create an element of instability in society. According to the public security department, the rate of juvenile delinquency in Kashi is a high 40 percent, an inevitable outcome when you have too many illiterates.

C. Child labor of the 1980's is clearly a historical and social regression that should be outlawed. In our opinion, curbing this evil social phenomenon requires comprehensive treatment. We can begin by tackling these areas:

First, apply a mix of economic and legal sanctions. Elementary School No. 1 in Kashi imposes a fine of 700

yuan on anyone who drops out for noneconomic reasons. Because of this regulation, only three students have dropped out so far. The law should deal harshly with people who insist on hiring child laborers and parents who make their children quit school to work or go into business in order to protect the legal right of a child to compulsory education.

Second, strictly enforce the minority nationality family planning policy, especially in the countryside. If we manage to hold population to a reasonable size, not only will fewer students drop out because of economic difficulties, but it will also be easier to land a job so that parents will have less concern.

Third, state aid for enterprises to relieve poverty and increase employment opportunities. This policy will effectively eliminate child labor.

Finally, adjust the existing education structure. More vocational middle schools should be built to enable young people to learn a marketable skill even in school.

In short, the elimination of child labor must be closely combined with the current drive to improve the economic environment and rectify the economic order. The resources of all social quarters must be mobilized to take joint action. We believe that through comprehensive treatment it will be entirely possible to get rid of child labor gradually.

Editorial Discusses U.S.-Taiwan Trade Talks, 'Super 301'

90CE0124A Taipei CHING CHI JIH PAO in Chinese
31 Mar 90 p 2

[Editorial: "Views on the Current Round of China-U.S. Trade Negotiations"]

[Text] In late March and late April, the Office of the United States Trade Representative (USTR) must deliver a "foreign trade impediments report" based on "Super 301" of the omnibus trade bill. In addition, U.S. liquor and insurance industries are pressuring the United States Government to demand that our country's government open up its markets for hard liquor and insurance. For these reasons, the USTR began on 21 March to hold a string of China-U.S. trade negotiations with our country. The range of issues touched upon in this round of negotiations has been quite broad, including the protection of copyrights, as well as the opening of banking, insurance, and markets for agricultural products and hard liquor. During two negotiating sessions, each of which lasted several days, the United States had great praise for the amendment passed by the Executive Yuan assembly meetings last week entitled "Review Guidelines for Establishment of Branches and Representative Office by Foreign Banks," which greatly increased the scope of business activities in Taiwan open to branches of foreign banks. Nevertheless, the United States expressed special concern about several circumstances: over 100 types of agricultural products still require import permits; the insurance market is highly restricted; the market for hard liquor has yet to be opened; and two standards for copyright protection in the draft amendment to the copyright law will render the law impossible to enforce. The latter issue, in particular, prompted the United States to raise at the negotiating table the possibility of using the Special 301 clause to retaliate if the law were not amended according to U.S. wishes. This led our lead negotiator, Wang Ch'uan-Lu [3769 0356 4389], Executive Secretary of the Interior Ministry's Copyright Committee) to resign, which in turn aroused great concern in our country.

Trade talks between our two countries should be based on a principle of equality, mutual benefit, and open markets. Although our country has actively promoted liberalization of its economy in the last few years, it must still be stated frankly that in some areas progress has been slow and obstacles have been numerous. Many things require scrutiny and improvement. There are also some liberalizations which must be carried out step by step and cannot be achieved in a single stroke. Therefore, during the course of negotiations, the lead negotiator must focus on the overall good of the nation. There are some things we ought to do whether the United States demands it or not, and these things we can promise to do. Some things require time, and it would not hurt during the course of negotiations to explain frankly the steps being taken to carry out certain plans in order to obtain our partner's understanding. Vis-a-vis those

demands which are excessive or even constitute interference in our internal affairs, it would not hurt to offer our analysis of why we cannot accept these demands, to broach the issue of whether these demands violate international precedent, or to refuse these demands. In short, our negotiating attitude should incorporate a flexible application of the principles of "some things we fight for, some we do not" and "in some areas we yield, in others we do not." At the same time, we are deeply dissatisfied at the confrontational stance of the United States in this round of negotiations, and the way they constantly used the 301 clause to threaten us. The authorities from the USTR should understand that the 301 retaliation clause is not the best instrument available for use at the negotiating table. Even if the trading nation knuckles under in the face of the 301 threat, it will not necessarily be beneficial to the United States, and it can bring great harm to the trading nation—the trading partner of the United States—and can even cast a pall over free and fair trade throughout the world.

The United States is particularly concerned about a few areas in which no results were obtained during this round of China-U.S. trade negotiations, and they are even considering retaliation through the 301 clause. We give our views here concerning these issues.

First let us consider the copyright negotiations. If we split the issue into two levels for analysis, we can further clarify where the problem lies. Part of the problem lies in the methods and attitudes adopted by the United States in this round of negotiations. They demanded that our country use an executive order to nullify part of the current copyright law even before it is amended. They also presented several demands that we carry out new revisions of part of the content of the copyright law. Because an executive order takes precedence over the law, it disrupts our country's legal system. Furthermore, amending the copyright law involves our country's domestic politics. It must be reviewed and passed by the Legislative Yuan before legal procedures can be completed. The executive branch cannot promise anything when it is not completely in control of the process by which such a promise is fulfilled, and the United States should not take such a strident attitude toward us. Another part of the problem lies in the fact that the basic goal of the United States is to prompt our country to raise the level of its copyright protection to meet high international standards. This is primarily because the United States is doubtful that international copyrights can be protected, given the fact that the copyright law currently being amended does not offer as much protection to domestic copyrights as it does to international copyrights (due to pressure from businessmen in our own country). On this level, the U.S. demands are probably reasonable. In reality they make this demand with our own best interests in mind. We should accept this demand, but it will take time to act upon it. The resignation of Wang Ch'uan-Lu was probably an expression of indignation at the bullying tactics of the United States, as well as an indication of dissatisfaction with the

lack of respect on the part of businessmen in our own country for domestic copyrights. Businessmen and responsible government authorities in our country would do well to take a critical look at their own behavior.

Let us consider the opening up of the imports of agricultural products. There are now 120 types of agricultural products that require permits from the Council of Agriculture if they are imported, and there are conditions and limitations placed upon these imports. The United States has demanded in this round of negotiations that controls be lifted from 61 of these products, while our country has only agreed to lift controls for three products by 1992. The United States feels that the pace of opening up is too slow. Although we also feel that pace is a bit slow, it cannot be denied that agriculture involves living organisms in its production activities. It is not the same by nature as mechanized industrial production. Industry can be rapidly opened up to a large degree within a relatively short period of time, while agriculture takes a longer time to adjust. Furthermore, agriculture is part of the foundation upon which the stability of the nation and society rests. The great majority of nations throughout the world protect their agriculture for this reason, and the year before last the U.S. Department of Agriculture issued a report which stated that our country protects its agriculture much less than countries in Europe, the Americas, Japan, and South Korea. Our lead negotiator should vigorously seek to maximize our interests though reasonable arguments. At the same time, a schedule should be presented for imports which could be opened up in the future in order to demonstrate the sincerity of our intent to open up imports of agricultural products.

Third is the issue of opening up to insurance companies. The United States has demanded that we lift the current quota which only allows two property and two life insurance companies per year from the United States to establish operations in our country. They have also demanded loosening of limitations on investments by U.S. insurance companies in Taiwan and buying and selling real estate. Our side gave no concrete answer to this demand during this round of negotiations. In reality, in the last three years our government has approved the establishment in Taiwan of six U.S. property insurance companies and six life insurance companies, while it has yet to open this market to our own citizens. This type of "bias against ourselves" has been sharply criticized by our own citizens, and must absolutely be ended. According to the Ministry of Finance, the domestic insurance industry cannot be opened up until the insurance law is completed. The Insurance Amendment has already been sent to the Executive Yuan, but it is not known when it will be forwarded to the Legislative Yuan and passed into law. However, our lead negotiator need not tip-toe on this matter. He can frankly inform the other side that as soon as the Insurance Amendment has become law and the market has been opened up to domestic participants, foreign insurance companies will enjoy the same treatment as our own citizens, except that

they will not be allowed to invest in land (because land is limited and prices are skyrocketing). The pace of the legislative process really should be accelerated.

Fourth is the issue of opening up hard liquor imports. Our side did not promise to open up these imports in this round of negotiations. The two sides merely exchanged their different views on the question of whether import tariffs for hard liquor were too high and about problems with marketing channels. The two sides agreed to continue discussions on this subject in Taipei in late June. However, we feel that the "Tobacco and Wine Monopoly Bureau" is one of the most uniquely outdated systems in the world. Because imports are controlled, smuggling is rife. Not only do we fail to receive the benefits of monopoly, fake liquor floods the market and harms public health. People even die from time to time as a result of drinking bootleg liquor. In 1985, the Commission on Economic Reform proposed abolishing the tobacco and wine monopoly system by first reorganizing the Tobacco and Wine Monopoly Bureau as a company and then opening the market to private participation. This plan has been accepted by the Executive Yuan and has been forwarded to the Ministry of Finance for study. Who would have imagined that after five years this study would have yet to yield any conclusions? This sort of administrative efficiency is entirely unsatisfactory. Records indicate that during the more than three years since imports of foreign cigarettes, beer, and wine were opened up, not only has consumption of imported cigarettes and alcohol declined as a proportion of total domestic consumption, the quantity of imports has also decreased in absolute terms. At the same time, monopoly profits have steadily increased rather than decreased. For this reason, we propose abolishing the monopoly system and switching from monopoly income to tax revenues. The time has come for a decision on opening up imports.

Above all, we call upon the Executive Yuan's Working Group on Chinese-U.S. Trade to call together the leaders of every relevant ministry and commission to consider the analysis which we have provided above concerning the recent round of China-U.S. trade negotiations. We call on them to make a critical, honest, and thorough self-appraisal, and come up with a policy that achieves the principles of "some things we fight for, some we do not" and "in some areas we yield, in others we do not." The good thing is that there is another month for further communication before the United States issues its Special 301 Report. We cannot let the greater interests of the nation be harmed for the sake of narrow bureaucratic interests, or for the lack of courage or ability to stand up to pressure from businessmen.

Li Teng-hui's Political Character

90CM0095A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 156, 5 Mar 90 pp 44, 49-50

[Article by Chen Rou-ching (7115 2677 4897): "God Forgot to Tell Li Teng-hui Something—Li's Political Character Has Caused Him Political Difficulties"]

[Text] Although Li Teng-hui possesses the Christian qualities of charity and sacrifice, and he is honest and straightforward, his love of telling the truth keeps revealing his unfamiliarity with the art of politics; he has forgotten that he is not Chiang Ching-kuo and he is not God, and evidently God has not instructed him how to control the actions and ambitions of those who seek power.

The white walled, red-roofed presidential residence is surrounded by high stone walls. In the dark cold of the night, outside the windows, the tips of the tree branches are heavily laden with raindrops and droop earthward; inside, a gray-haired elder is alone, silently reading the Bible, praying with eyes closed, enjoying the "moving power of the Holy Spirit," and seeking wisdom from God.

Boundless Wisdom and Limitless Energy

Prayer and bible reading are Li Teng-hui's daily course of spiritual development, and whenever he encounters problems he turns to them; as far as Li Teng-hui is concerned, the Bible provides him with boundless wisdom, and God bestows upon him limitless confidence and energy.

In many testimonials Li Teng-hui has mentioned the assistance he has received from God. In 1979, when Taipei was shoring up Ch'ing T'an Levee as a temporary dam, and weather reports were warning of a great typhoon that was about to strike the city, the then-mayor Li Teng-hui saw that the dam would be destroyed and Taipei would be flooded in a moment.

As a result, Li Teng-hui prayed, and the typhoon subsequently changed course and Taipei avoided disaster. Li Teng-hui speaks of this incident with deep faith and feeling: "In my heart I knew that God had heard my prayers, and I thank God; I don't know what others think, but I know it was the hand of God."

When Li Teng-hui was governor of Taiwan, there was an oversupply of bananas and no one knew what to do with them; he prayed to God and God told him to realize that "There are many people who have no bananas to eat!" whereupon he immediately decided to send the surplus bananas to military personnel stationed on the outer islands, and the problem was solved.

On another occasion, while Li Teng-hui was leading a provincial government delegation on a goodwill visit to the United States, the auditorium at Fengyuan High School collapsed and many students were killed or injured. Not sure whether to continue with the tour or return to Taiwan, Li Teng-hui prayed for assistance, and God directed him to return as quickly as possible to Taiwan.

To those who do not believe in Christianity, these testimonials seem a bit ludicrous, but it is an undeniable fact that God has given Li Teng-hui much assistance, so

that unlike atheistic chief executives, he cheerfully holds meetings and suffers through critical attacks.

Realism in Politics and Upholding Principles

God is to Li Teng-hui as his nose was to Hsiao Wei, the little hero of the North China Sea who had only to rub his nose with his index finger to achieve sudden inspiration and solve the most difficult problems.

Li Teng-hui's tendency to inward reflection gives him full self-confidence and frees him from having to rely on others' ideas; in the words of the Taiwanese saying, "If you think it up, it's right by you." His method of solving problems through silent introspection is worse than relying on wise advisors.

One professor who is close to Li Teng-hui says, "I have tried over a hundred times" to get Li Teng-hui to build up a group of loyal supporters, because realistic politics requires a contingent of aides, but President Li was "very prejudiced" on this point, so after having been Taipei's mayor, provincial governor, vice-president and president, Li Teng-hui's circle of followers still only includes Su Chih-ch'eng [5685 1807 6134], Huang Tachou [7806 1129 3166], Liang Kuo-shu [2733 0948 2885], and a handful of others.

According to this professor, Li Teng-hui holds strongly to his view of life—"All public servants are my people," "How can there be yours and mine." Li Teng-hui feels that when he was with the city of Taipei, the municipal employees were his group of supporters, and when he became president, all those in the government became his people.

This person who is close to Li Teng-hui said that he personally likes President Li's dedication to principle and selfless public service, but the realistic world of politics is not pure and he said sadly, "This society is not the heaven of Jesus."

When Li Teng-hui invites scholars to talk with him, it is to respectfully hear their lofty opinions, not to seek to learn from them to follow the Confucian path.

Self-Important, Brooks No Challenges

Just like a scene in the movie "Sad City," where a group of young Taiwanese intellectuals spoke about a certain person who was reading a book of Marx, and Wu Nien-chen [0702 1819 4176] slipped in admiration: "Wow! This is really something." When Li Teng-hui was young, he could read books of Western thought and then think himself qualified to hold his head a little higher than most.

In his youth, Li Teng-hui was familiar with and could quote a little of Kant, Goethe, Shakespeare, and Beethoven; as for his "intellectual, aristocratic arrogance," there were those who praise him—"When you hear President Li give a talk, the first three minutes aren't much, but after 30 minutes you begin to feel that there is something there, and after he has spoken for

three hours you begin to feel inferior because he understands everything and can talk about everything." But there are also those who have come into contact with him who complain, "When he encounters someone's different idea, he cannot even change the subject politely, and he will deliberately spew forth a bunch of Japanese or English as a diversion, leaving you with nothing to say." Whether the impression is positive or negative, Li Teng-hui has the intellectual urge to express himself and to dominate a conversation, and leaves the impression that both sides unanimously agree on an issue.

Li Teng-hui has the title of Ph.D., and thinks rather highly of himself; he brooks no challenges. During his provincial governorship, on one occasion when he went to the provincial assembly to answer questions, a Democratic Progressive Party [DDP] member, Huang Yu-chiao [7806 3768 1293], in a rather provocative tone said to Li, "I hear you're some kind of Ph.D., I think you're just a bluff; you don't know economics at all..." According to a longtime associate of his, Li Teng-hui sat in his chair, his face expressionless, he did not look in Huang Yu-chiao's eye, and he was shaking mad.

Recently, Li Teng-hui took Li Yuan-ts'u [2621 0955 4662] to solicit votes from National Assembly delegates; sometimes he forgot about his own needs and revealed his "guiding" self. When he was debated into a corner by delegate Huang Chao-hui [7806 2507 6540], Li Teng-hui got impatient and said, "You are young; you should study some more history." When DDP delegate Weng Chin-chu [5040 6855 3796] wrote on a blackboard to illustrate her point to Li Teng-hui that one of the requirements of the president is to "not oppose Taiwan independence," Li Teng-hui did not ignore it but, rather, asked her to correct her sentence to say that the president is "a person who does not oppose the people who support Taiwan independence."

He Still Has Not Learned the Language of Bureaucracy

A National Taiwan University professor who has long observed the political process said, "President Li has had over 10 years of experience in officialdom, so it cannot be said that he does not understand politics, but he seems to detest that aspect of officialdom," and "I have a very good impression of President Li; he is the most intellectual of those who have been president, and he is honest, sincere, and simple."

The culture of officialdom teaches people to be discreet in order to avoid becoming the target of informants, and to be like a former Minister of Justice: even while drinking with a good friend, he never failed to loudly declare, "The policy of reuniting China with the Three Principles of the People is correct."

An old colleague of Li Teng-hui's at the Executive Yuan has revealed that when Li Teng-hui was a minister without portfolio in the Executive Yuan, his responsibilities were light, so he liked to seek out people to chat

with; as soon as a conversation began, he would start criticizing this and cursing that, and he kept nothing secret.

Right up to the time he became the nation's leader, Li Teng-hui never learned the language of bureaucracy. One time when he was discussing national affairs with scholars from overseas, he made no attempt to be discreet but burst out with "Opening up the mainland for visits by relatives is not out of some sort of humanitarian consideration...." When the scholars were departing, Secretary-General Li Yuan-ts'u urged them not to tell anyone what he had said.

Li Teng-hui also has no finesse in dealing with people; when he was succeeding Lin Yang-kang [2651 3152 3263] as mayor of Taipei and as provincial governor, he did not make vigorous efforts to retain Director Ts'ai Chao-yang [5591 0340 7122] of the Taipei Department of Reconstruction, Mayor Lin Yang-kang's chief counselor Ts'ai Ching [5591 4842], or Commissioner of Education Shih Chin-ch'ih [2457 6855 3069], but rather let them slip away one by one.

Still Unfamiliar with the Art of Politics

As a pious believer in Christianity, Li Teng-hui has maintained the fine virtues of religious piety, charity, sacrifice, a loving heart, straightforward honesty, lack of deceit, selflessness and principle, but as an old Party official of the Chiang Kai-shek era has said, "General virtue is not the same as political virtue; one can distinguish the good from the evil, and, so long as one's intentions are pure, the political process requires some scheming." In the eyes of this follower of Chiang Kai-shek, "Li Teng-hui is somewhat unfamiliar with the art of politics."

Taiwan University professor of political science Hu Fo [5170 0154] points out that Chiang Ching-kuo died not long after martial law was lifted and the central authorities relaxed their grip; Li Teng-hui was selected as his successor and he is really an outsider, unconnected to the military, Party factions and organizations; he is merely a fast-rising technocrat, not to be compared with influential old-timers such as Li Huan [2621 3562]. Li Teng-hui cannot imitate Chiang Ching-kuo's methods; he does not have this advantage. To pick up where Chiang Ching-kuo left off, he must be even more ingenious and consult more often with senior officials.

When Li Teng-hui first took office as president, he publicly explained that there were two giant figures behind him to provide guidance; one was Chiang Ching-kuo and the other was God. Li Teng-hui seems to have forgotten that he is not Chiang Ching-kuo nor even the shadow of Chiang Ching-kuo; he is only the candidate appointed to succeed Chiang Ching-kuo.

Li Teng-hui is dissatisfied that Yu Kuo-hua [0358 0948 5478] is an insider in high political circles; he has vigorously criticized Yu Kuo-hua to his confidants: "He never does anything; he leaves everything for me to do."

He has forgotten that Chiang Ching-kuo was sufficiently "heavy-weight" to be able to scold Yu Kuo-hua, but Li Teng-hui should not even give vent to his true feelings behind his back.

Acting on His Own Instincts

The election of Li Yuan-ts'u served to further exacerbate the situation of Li Teng-hui's volatile nature; it spurred a direct power struggle between him and Li Huan, Lin Yang-kang, and other high officials.

Li Teng-hui neglects to use political finesse; this was most clearly demonstrated during the temporary plenary session of the KMT. Not content with allowing people's ambitions of gaining power to fade away, he levelled criticism at a group of people. He praised Li Yuan-ts'u as a person who does a good job and quietly; this is an indirect attack on those who "don't work but rather engage in trickery and putting on airs." Here again, Li Teng-hui forgot that he is not Chiang Ching-kuo, and his God has no means of suppressing the aspirations of those who seek power.

In stirring up the internal conflict and bad feelings in the KMT of today, Li Teng-hui's decisions, based on his own instincts, have gradually lengthened and thickened the fuse. For example, when he visited Singapore and was referred to as "the President from Taiwan," he indicated that he "did not agree but could accept it," and publicly admitted that his "political power did not extend to the mainland." Other examples include his recent decision to send Shirley Wan-jung Kuo [6753 1238 1369] to attend the annual meeting of the Asian Development Bank and his criticism against Kuan-chung [7070 0022].

These various decisions are either fully products of Li Teng-hui's personality, or else they are the results of only the most minimal of back room negotiations; perhaps they will help the nation as a whole to progress, but in interpersonal terms they are clever efforts to prevent senior officials from participating in the decision making process, which would appease the conservative forces which are frightened of the Taiwan independence trend.

The Bible is the most widely distributed of any ancient text in the world; millions of people have been stirred by the Bible's teachings, which warn that they should sacrifice and be charitable and not sell their souls for fame and fortune, but it does not provide people with guidance on dealing with the actions and ambitions of those who crave power. Li Teng-hui has opened his heart to God, but probably he needs to open up to a lot more people and learn a little more subtlety.

25,000 Illegal Aliens Estimated Working in Nation

OW3005122390 Taipei CNA in English 1542 GMT
29 May 90

[Text] Taipei, May 29 (CNA)—The number of illegal alien workers in the Republic of China [ROC] was estimated at 25,000 at the end of April, the Council of Labor Affairs reported Tuesday.

Most of the alien workers had come from the Philippines, Malaysia, Indonesia, Thailand, Burma and Sri Lanka, where per capita incomes were all lower than that of the ROC, the council said.

After the cabinet issued a package of regulations designed to curb the inflow of alien workers in October last year, the Labor Council and other government agencies intensified their efforts to crack down on illegal alien workers. The results were described as "barely satisfactory."

According to council statistics, about 46,000 of some 128,000 foreigners in Taiwan for visits of less than six months had overstayed their visas as of the end of April.

Excluding those here for family reunions, business and tourist purposes, the number of foreigners illegally working here was estimated at 25,000, it said.

The council said it had asked the National Police Administration to strengthen its crackdown on the illegal workers.

Columnist Pessimistic About Post-1997 PRC Interference

90CM0116A Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 213, 1 Apr 90 p 66

[Article in column by Hu Chu-jen (5170 5468 0086):
"Possible Interference by the Chinese Communists After 1997"]

[Text] Mr. Li Ka-shing has said he fears that Hong Kong businessmen may have to make massive investments as well as engage in politics after 1997. A general interpretation of his remark is that businessmen will have to be involved in political activities, such as forming political parties or finding political agents to run in elections for them. In other words, they must cultivate political strength so that they will have a say or influence in the legislative body or in society.

But there can be different interpretations as well. For instance, in order to obtain a major investment contract, the businessmen have to go through the "back door" to build up contacts or give bribes. The more backing one can get from senior mainland officials or the better relationship one has with the offspring of senior cadres the easier it is to get a business deal. Otherwise, there is nothing one can do no matter how much capital funds or technical experience one has. This is what engaging in politics means.

This problem, which has been widespread in the mainland in the past 10 years, is and manipulated by Hong Kong businessmen. Therefore, it is likely that, in the future, major Hong Kong business corporations will give some shares to the offspring of a high cadre or employ him as general manager or a member of the board, so that he could exert pressure or influence on the government in exchange for business favors.

Whether this will happen depends on the degree of interference the central and local authorities will have in Hong Kong affairs, on how much they will respect and abide by Hong Kong laws. It also depends on whether the special district government will be a puppet government or not. If the chief of the government is corrupt, then all government departments handling the approval of business projects will have to yield to pressures from high cadres, which will destroy the bureaucracy system and the system of fair competition in Hong Kong.

The Bureaucracy System Could Be Destroyed

There exist in Hong Kong many mainland companies which have links with high cadres and their offspring, and the number will rise before and after 1997. Will these companies exercise their behind-the-scenes influence to win the bidding for construction projects or land sales? Left with no prospects for business promotions, investors will have to cut down their investment schemes, pull out, or find useful back-up support. This also is engaging in politics.

If the powerful people in the mainland meddle in Hong Kong's affairs in order to seek personal gains, will they not be hurting Hong Kong people's willingness to invest, or sabotage the territory's stability and prosperity? Frankly, if the high cadres and their offspring had kept their nation's interests in mind, China's economy would not have been in such a mess. One can imagine that many powerful people in China who are already eyeing Hong Kong's richness will themselves seek to profit as soon as 1997 arrives!

Hong Kong's bureaucracy system also may be destroyed. Under the existing employment system, anyone who works for the government either has passed a vigorous exam or was hired through a careful review process. No one got into government service because he was somebody's relative or because he knew someone important. Of course, this is not to say that there are no incompetent officials, particularly in the case of those who were hired from Britain. But, in general, the system is fair and open.

Getting jobs through cronyism has been such a common practice in official circles in China that the problem is like an incurable terminal illness. Powerful people in Beijing often intervene in a local government's administrative and personnel matters. The recent decision by Li Peng to bring in his supporters to key positions is a case in point: He was attempting to widen his influence in the government by planting his people in crucial jobs. It is unlikely that high officials or senior cadres in Beijing will appoint someone in China as the leader of Hong Kong's government after 1997. Rather, they may give the position to someone who is already in Hong Kong and considered "one of our own." Speculation is rampant now about which "visionary person" will be the choice. If the top representative can be chosen through this kind of arrangement, how else, then, will other officials be selected? Even if positions are not filled in this way, there will be attempts by some people to induce certain officials to become "one of us." By then, the bureaucracy system will be totally corrupted!

Interference in the Judicial System

The tampering with the bureaucracy system will affect the system of clean politics and the judicial system. It is an age-old problem of the Chinese Communists to use power to interfere with and violate regulations and laws. In the future, some of the companies in Hong Kong will be owned by the central government, some by local governments, and others will be privately run with good connections to the network of power. If any of them violates laws or commits crimes, will Hong Kong have the right to prosecute, arrest, interrogate or convict them? If this right is provided for, will the process of interrogation be interrupted by those who are powerful or have powerful friends? What will happen if the law-breaking activities of Chinese-owned Hong Kong companies involve the offspring of high cadres? What can judges and the lawyers union in a small and fragile place like

Hong Kong do? Who can protect the independence of the judiciary, and where will the power for this protection come from?

In addition, the freedom of speech and the freedom of press will be sharply suppressed. Li Peng and Zheng Hua have both recently reiterated their warnings against "subversion" and "hidden enemies" in an apparent attempt to suppress all voices of dissent.

The freedom to travel in and out of Hong Kong will also be severely curtailed. Naturally there will be no restrictions on people leaving or entering Hong Kong for sightseeing or business purposes, but those who have expressed dissent in speeches or in action will be black-listed.

According to Zheng Hua, there "hide" in Hong Kong a number of people who "attempt to subvert the central" government. Following the 4 June incident, China dispatched a large number of security personnel to Hong Kong to watch every speech and movement here. Will the reports of these personnel, who are everywhere in Hong Kong, be the basis of punishments after 1997? No matter what, these people are increasing in number and they will surface after 1997. The freedoms and human rights of the Hong Kong people are being monitored by many pairs of eyes.

I hope the above are just groundless fears. If this is the case, we will be overjoyed after 1997.

Survey on Anticipated Hong Kong Emigration

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[Text] More than 30 percent of Hong Kong people planned to emigrate, an independent poll has shown.

However, the survey, conducted during the first three months of this year and compared with the previous

quarter, showed that increasing numbers of people planned to remain in the territory.

The survey, based on telephone interviews with 513 people, was conducted by Consumer Search Hong Kong Ltd.

The poll found that while the percentage of Hong Kong people who said they wanted to emigrate rose 1.4 points to about 32 percent, those who wished to stay increased by three points to nearly 63 percent.

The portion of "undecided" on the issue dropped to five per cent, against a corresponding 10 percent recorded between October and December last year.

Among the latest undecided group, "more are inclined to stay in Hong Kong", according to the survey.

It also found that Canada was the most popular choice of country for emigrants, which 37.9 percent. The second most favourite destination was Australia with 22.4 percent and the United States third with 17.9 percent.

The survey also tackled the issue of Hong Kong's inflation and found that 83 percent of the respondents believed that the present level was "serious". Nearly 30 percent described the level as very serious.

The level of inflation reached double-digit figures for the first time in many years last year although the Government has predicted that it will fall to 8 1/2 percent in the coming financial year.

According to the respondents the items most under inflationary pressure were (in order of impact): rising expenditure on public transport services; rent, oils and foodstuff, dining at restaurants, entertainment and fashion.

The majority of the respondents (50 percent) eased inflationary pressure by using cheaper means of travel, for instance taking buses instead of the MTR.